



D&L INDUSTRIES, INC.

**No. 65 Calle Industria, Bagumbayan
1110 Quezon City, Philippines**

**Offer of ₱3,000,000,000.00 Fixed-Rate Bonds
with an Oversubscription Option of up to ₱2,000,000,000.00**

Consisting of:

**3-year Series A Bonds: 2.7885% p.a due 2024 with an Offer of ₱2,000,000,000.00 with
and Oversubscription Option of up to ₱1,000,000,000.00**

and

**5-year Series B Bonds: 3.5962% p.a due 2026 with an Offer of ₱1,000,000,000.00 with
and Oversubscription Option of up to ₱1,000,000,000.00**

Offer Price: 100% of Face Value

**To be listed and traded through the
Philippine Dealing & Exchange Corp.**

Sole Issue Manager, Lead Underwriter and Sole Bookrunner



Selling Agents



China Banking Corporation – Trust and Asset Management Group is the duly appointed Trustee of the Bondholders. The Trustee is a group within China Banking Corporation, which is the direct parent company of China Bank Capital Corporation, the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner for this Offer. However, the Trustee is separate and independent from the Sole Issue Manager, Lead Underwriter, and Sole Bookrunner.

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 SECURITIES AND EXCHANGE COMMISSION.

This Amended Prospectus is dated September 2, 2021.

D&L Industries, Inc.
No. 65 Calle Industria
Bagumbayan, Quezon City 1110
Philippines
Telephone Number: +63-2-8635-0680
Website: <http://www.dnl.com.ph/>

D&L Industries, Inc. (“**D&L**”, the “**Issuer**”, or, when referred to collectively with its subsidiaries, the “**Company**” or the “**Group**”) is offering Peso-denominated fixed rate bonds in the Philippines with an aggregate principal amount of ₱3,000,000,000.00 with an oversubscription option of up to ₱2,000,000,000.00 (the “**Offer**”, and the bonds subject of the Offer, the “**Bonds**”), exercisable by China Bank Capital Corporation (“**China Bank Capital**” or the “**Sole Issue Manager, Lead Underwriter and Sole Bookrunner**”) in consultation with the Issuer. The Bonds will be issued at par (or 100% of face value) on September 14, 2021 (the “**Issue Date**”) and listed and traded through the Philippine Dealing & Exchange Corp. (“**PDEX**”).

The Bonds will be comprised of 3-year Bonds due 2024 (the “**Series A Bonds**”) and/or 5-year Bonds due 2026 (the “**Series B Bonds**”). The Series A Bonds shall have a term of three years from the Issue Date with a fixed interest rate equivalent to 2.7885% per annum. The Series B Bonds shall have a term of five years from the Issue Date with a fixed interest rate equivalent to 3.5962% per annum. Interest on the Bonds shall be payable quarterly in arrears starting on December 14, 2021 for the first Interest Payment Date, and March 14, June 14, September 14, and December 14 of each year while the Bonds are outstanding, or the subsequent Business Day without adjustment to amount of interest to be paid, if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Dates of the Bonds. Subject to the consequences of default as may be contained in the Trust Agreement, and unless otherwise redeemed or purchased prior to the relevant Maturity Date, the Bonds will be redeemed at par or 100% of the face value thereof on the relevant Maturity Date. For a more detailed discussion on the terms and conditions of the Bonds, please refer to the discussion under the section “*Description of the Bonds*” starting on page 160 of this Prospectus.

The Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter. The Bonds shall be traded in denominations of ₱10,000.00 in the secondary market.

Upon issuance, the Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of D&L, contingent or otherwise, other than indebtedness mandatorily preferred by operation of law and not by contract, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors’ rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines), but in the event of insolvency, such financial obligations shall be absolute and unconditional only to the extent permitted by Applicable Law relating to creditors’ rights generally. The Bonds shall effectively be subordinated in right of payment to, among others, all of D&L’s secured debts to the extent of the value of the assets securing such debt.

The Bonds have been rated PRS Aaa with a Stable Outlook by Philippine Rating Services Corporation (“**PhilRatings**”). A rating of PRS Aaa is assigned to long-term debt securities of the highest quality with minimal credit risk. A rating of PRS Aaa is the highest credit rating on

PhilRatings' long-term credit rating scale. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency concerned.

D&L expects to raise gross proceeds of up to ₱3,000,000,000.00, and up to a maximum of ₱5,000,000,000.00, if the oversubscription option is fully exercised. Without exercising the oversubscription option, the net proceeds are estimated to be ₱2.96 billion, after deducting fees, commissions, and expenses relating to the issuance of the Bonds. If the oversubscription option is fully exercised, the net proceeds are estimated to be approximately ₱4.93 billion, after deducting fees, commissions, and expenses relating to the issuance of the Bonds. Proceeds of the Offer shall be used to (i) partially financing capital expenditures, particularly the completion of the Batangas expansion plant; and (ii) partially repay of bridge loans and its interest costs drawn by the Company to fund capital expenditures. Any excess amounts will be used for general corporate purposes.

China Bank Capital Corporation has been appointed as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner for the Offer. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall receive a fee of 0.3684% on the final aggregate nominal principal amount of the Bonds issued, which is inclusive of underwriting and participation commissions, including any fees to be paid to Selling Agents that may be appointed by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. For a more detailed discussion on the Sole Issue Manager, Lead Underwriter and Sole Bookrunner and the underwriting fees to be received by it, see "*Plan of Distribution*" on page 205 of this Prospectus.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner and Selling Agents may acquire for their own account a portion of the Bonds.

The Issuer reserves the right to withdraw the offer and sale of the Bonds at any time, and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner reserves the right to reject any application to purchase the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEX.

It is expected that the Bonds will be delivered in book-entry form against payment thereof to the Philippine Depository & Trust Corp. ("**PDTC**"), which has been appointed as the Registrar of the Bonds.

It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Registry of Bondholders.

The Issuer filed an application with the Securities and Exchange Commission ("**SEC**") to register the Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) ("**SRC**") and its implementing regulations on June 15, 2021. The SEC is expected to issue an order rendering the Registration Statement filed by the Issuer effective and a corresponding permit to offer securities for sale covering the Bonds.

The Issuer will apply for the listing of the Bonds in the PDEX. However, there is no assurance that such a listing will actually be achieved either before or after the issue date of the Bonds or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Issuer's execution of a listing agreement with PDEX that may require the Issuer to make certain disclosures, undertakings and payments on an ongoing basis.

As a listed company, D&L regularly disseminates such updates and information in its disclosures to the SEC and The Philippine Stock Exchange, Inc. (“PSE”). The Bonds will be registered and offered exclusively in the Philippines. The distribution of this Prospectus and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. The Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner require persons into whose possession this 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 Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of an offer to buy any securities of the Issuer 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 the 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 the Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in the Prospectus misleading in any material respect. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner has exercised reasonable due diligence required by regulations in ascertaining that all material representations contained in the Prospectus are true and correct and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading. No person or group of persons has been authorized by D&L and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to give any information or to make any representation concerning the Bonds other than as contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Issuer or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

The price of securities, such as the Bonds, can and does fluctuate, and any individual security may 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, such as Bonds. An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider several risk factors relating to the Company’s business and operations, risks relating to the Philippines and risks relating to the Bonds, as set out in “*Risk Factors*” found on page 44 of this Prospectus, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds 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.

All information in the Prospectus is as of the date hereof, unless otherwise indicated. Neither the delivery of this Prospectus nor any sale made pursuant to this 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.

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

Market data and certain industry forecasts used throughout this 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 and neither the Company nor the Sole Issue Manager, Lead Underwriter and Sole Bookrunner makes any representation as to the accuracy or completeness of such information.

Certain agreements are referred to in this 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.

D&L is organized under the laws of the Philippines. Its principal office is at 65 Calle Industria, Bagumbayan, Quezon City, Philippines with telephone number +63-2-8635-0680.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED THEREIN IS TRUE AND CURRENT.

[signature page follows]

D&L INDUSTRIES, INC.

By:



ALVIN D. LAO
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
_____, METRO MANILA) S.S.

MAKATI CITY

MAKATI CITY

SUBSCRIBED AND SWORN to before me this **SEP 02 2021** in _____, affiant exhibiting to me his Passport No. P1511663B expiring on April 23, 2029 as competent evidence of identity.

Doc No. 51 ;
Page No. 12 ;
Book No. 312 ;
Series of 2021.

FELIPE I. ILEDAN JR.
Notary Public for and in Makati City
Until Dec. 31, 2022, Appt. No. M-09
Roll No. 27625, TIN 136897808
Rm. 412, 4th Flr. VGP Center, Ayala, Makati City
2021 PTR No. Mla 9792919, 15/7/2020
IBP No. 119432, 06/17/2020
MCLE Compliance No. VI-0012066

FORWARD LOOKING STATEMENTS

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

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

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

- the Company's ability to successfully manage its activities;
- the Company's ability to successfully implement its current and future strategies;
- the Company's ability to anticipate and respond to consumer trends;
- the Company's ability to develop products and provide services without delays due to regulatory or other causes;
- the Company's ability to successfully manage its future business, financial condition, results of operations, and cash flow;
- general political, social, and economic conditions and changes in the Philippines;
- any future political instability in the Philippines;
- changes in interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
- increases in inventory, maintenance and rental costs;
- continued availability of capital and financing at acceptable cost;
- changes in the laws, including tax laws, regulations, policies and licenses applicable to or affecting the Company;
- legal or regulatory proceedings in which the Company is or may become involved;

- uncontrollable events, such as war, civil unrest or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents and natural disasters; and,
- competition in the retail industry in the Philippines.

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

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

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GLOSSARY OF TERMS

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

Aero-Pack	Aero-Pack Industries, Inc.
Affiliate	With respect to any Person, any other Person (a) directly or indirectly Controlling, Controlled by, or under direct or indirect common Control with, such Person, or who is a director or officer of such Person or (b) any Subsidiary of such Person or of any Person referred to in clause (a) of this definition.
Applicable Law	Any (i) statute, law, regulation, ordinance, rule, judgment, order, decree, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority; and (ii) any directive, guideline, policy or requirement of any Governmental Authority having the force and effect of law.
Applicant	Any person who submits a duly accomplished Application to Purchase, together with all requirements set forth therein.
Application or Application to Purchase	The application form accomplished and submitted by an Applicant for the purchase of a specified amount of the relevant series of the Bonds, together with all the requirements set forth in such application form, whether originally signed in the form prescribed attached in the Registry and Paying Agency Agreement, or electronically submitted through e-SIP.
BIR	Philippine Bureau of Internal Revenue
Board	Board of Directors of the Issuer
Bonds	Collectively, the Philippine Peso-denominated fixed rate bonds consisting of Series A Bonds with a term of three (3) years due 2024 and Series B Bonds with a term of five (5) years due 2026 to be issued by the Issuer with an aggregate principal amount of ₱3,000,000,000.00 and with an oversubscription option of up to ₱2,000,000,000.00.
Bond Agreements	Collectively, the Trust Agreement, the Underwriting Agreement, and the Registry and Paying Agency Agreement, and any amendments thereto.
Bondholder	A Person whose name appears, at any relevant time, as the registered owner of the Bonds in the Registry of Bondholders.
BSP	Bangko Sentral ng Pilipinas
Business Day	A day, other than Saturday, Sunday or legal holiday, on which the facilities of the Philippine banking system are open and available for clearing, and banks are open for business in Makati City and Quezon City, Metro Manila, Philippines.
Change of Control	Each of the events described as such under “ <i>Description of the Bonds – Early Redemption by Reason of Change of Control</i> ”.
Change in Law or	Each of the events described as such under “ <i>Description of the Bonds</i> ”.

Circumstance	– <i>Early Redemption by Reason of Change in Law or Circumstance</i> ”.
Chemrez	Chemrez Technologies, Inc.
CPSI	Chemrez Product Solutions, Inc.
China Bank Capital	China Bank Capital Corporation or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner of the Offer
Closed Period	has the meaning given to such term under paragraph c) of “ <i>Description of the Bonds - Transfers: Tax Status</i> ”.
Company	D&L Industries, Inc. and, as the context may require, its consolidated subsidiaries, Oleo-Fats Incorporated (including its subsidiary, D&L Premium Foods Corp.), Aero-Pack Industries, Inc., First in Colours, Incorporated and D&L Polymers & Colours, Inc., Chemrez Technologies, Inc. (including its subsidiary, CPSI), and Natura Aeropack Corporation
Consolidated Equity	The total stockholders’ equity of the Issuer as of the relevant date for calculation (for the avoidance of doubt, including non-controlling interests) as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.
Control	As applied to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. The terms “Controlling”, “Controlled by” and “under common Control with” shall have correlative meanings.
CREATE Act	Refers to Republic Act No. 11534, also known as the “ <i>Corporate Recovery and Tax Incentives for Enterprises Act</i> ”.
Cure Period	Has the meaning given to such term under “ <i>Description of the Bonds - Early Redemption by Reason of Change in Law or Circumstance</i> ”.
D&L or D&L Industries	D&L Industries, Inc. on an unconsolidated basis
Data Privacy Act	Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012.
Debt	Refers to (i) all indebtedness or other obligations of the Issuer for borrowed money or for the deferred purchase price of property or services and similar arrangements; (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer, or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person; and (iii) capitalized lease obligations of the Issuer.
Debt-to-Equity Ratio	Has the meaning given to such term under “ <i>Description of the Bonds - Financial Covenants</i> ”.
Declaration of Default	Has the meaning given to such term under “ <i>Description of the Bonds - Consequences of Default</i> ”.
Default Payment Date	Has the meaning given to such term under “ <i>Description of the Bonds - Consequences of Default</i> ”.
Disruption Event	Either or both of: a. a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust

	<p>Agreement to be carried out which disruption is not caused by, and is beyond the control of, any of the parties; or</p> <p>b. the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that party from: (i) performing its payment obligations under the Trust Agreement and the Registry and Paying Agency Agreement; or (ii) communicating with other relevant parties (including, but not limited to, the Trustee and the Registrar and Paying Agent) in accordance with the terms of the Trust Agreement and the Registry and Paying Agency Agreement.</p>
DLPC	D&L Polymers & Colours, Inc.
DLPF	D&L Premium Foods Corp.
DOE	The Philippine Department of Energy
e-SIP	The e-Securities Issue Portal of the PDS
ECQ	Enhanced Community Quarantine
Event of Default	Each of the events described as such under “ <i>Description of the Bonds - Events of Default</i> ”.
Excluded Taxes	Has the meaning given to such term under “ <i>Description of the Bonds - Payment of Additional Amounts – Taxation</i> ”.
FIC	First in Colours, Incorporated
Final Redemption Amount	100% of the face value of the Series A Bonds, or Series B Bonds, as the case may be, on the Maturity Date of such series.
GCQ	General Community Quarantine
GDP	Gross Domestic Product
Government	The Government of the Republic of the Philippines
Governmental Approval	Any authorization, consent, concession, grant, approval, right, franchise, privilege, registration, certificate, license, permit or exemption from, by or with any Governmental Authority, whether given or withheld by express action or deemed given or withheld by failure to act within any specified time period.
Governmental Authority	Any government agency, authority, bureau, department, court, tribunal, legislative body, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines.
Group	D&L Industries, Inc. and its consolidated subsidiaries, Oleo-Fats Incorporated (including its subsidiary, D&L Premium Foods Corp.), Aero-Pack Industries, Inc., First in Colours, Incorporated and D&L Polymers & Colours, Inc., Chemrez Technologies, Inc. (including its subsidiary, CPSI), and Natura Aeropack Corporation
Interest Payment Date	<p>Means December 14, 2021 for the first Interest Payment Date, and thereafter, each of March 14, June 14, September 14 and December 14 of each year, or the next Business Day if such date falls on a non-Business Day (without any adjustment to the amount of interest to be paid), during which any of the Bonds are outstanding.</p> <p>For purposes of clarity, the last Interest Payment Date shall be the relevant Maturity Date, which is (i) September 14, 2024 or three (3)</p>

	years from the Issue Date for Series A Bonds, and (ii) September 14, 2026 or five (5) years from the Issue Date for Series B Bonds.
Isla Lipana & Co.	Isla Lipana & Co., a member firm of PricewaterhouseCoopers International Limited
Issue Date	September 14, 2021 or such other date as the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may agree in writing with advice to PDTC; provided, that such date shall be a date which is within the validity of the Permit to Sell.
JHI	Jadel Holdings Co., Inc.
Lao Family	Dean L. Lao, Leon L. Lao, Alex L. Lao, Yin Yong Lao, John L. Lao and their relatives within the fourth degree of consanguinity.
Lien	With respect to any property or asset, (a) any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines, as the same may be amended from time to time, in each case, to the extent securing payment or performance of a debt prior to any general creditor of such Person; and (b) the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or asset, or the proceeds therefrom, prior to any general creditor of the owner thereof.
Majority Bondholders	(a) With respect to matters relating only to the Series A Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series A Bonds; (b) with respect to matters relating only to the Series B Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Series B Bonds; or (c) with respect to matters affecting the Series A Bonds and the Series B Bonds, Bondholders representing more than fifty percent (50%) of the outstanding principal amount of the Bonds.
Master Certificate of Indebtedness	With respect to each series of the Bonds, the bond certificate issued by the Issuer in the name of the Trustee for the benefit of the Bondholders covering the entire principal amount of the relevant series of the Bonds purchased during the Offer Period and to be issued by the Issuer on the Issue Date, which shall be substantially in the form attached as Annex B of the Trust Agreement.
Material Adverse Effect	In the reasonable opinion of the Majority Bondholders, acting in good faith, a material adverse effect on (a) the condition (financial or otherwise), results of operations, or business affairs of the Issuer or any of its Subsidiaries, taken as a whole, whether or not arising in the ordinary course of business, (b) the Offer, (c) the ability of the Issuer to observe and comply with the provisions of and perform its obligations under the Bonds and the Bond Agreements, or (d) the validity or enforceability of the Bonds or any of the Bond Agreements.
Maturity Date	(a) With respect to the Series A Bonds, the third (3rd) anniversary of the Issue Date, or on September 14, 2024, and (b) with respect to the Series B Bonds, the fifth (5th) anniversary of the Issue Date

	or on September 14, 2026; provided, that if the relevant Maturity Date falls on a day that is not a Business Day, then the payment of the principal shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and the principal to be paid.
MECQ	Modified Enhanced Community Quarantine
Metro Manila	The metropolitan area comprising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Pateros, Quezon City, Valenzuela, Taguig and San Juan, which together comprise the “National Capital Region”
NAC	Natura Aeropack Corporation
NSCB	Philippine National Statistics Coordination Board
Offer	The public offer for sale, distribution and issuance of the Bonds by the Issuer to investors.
Offer Period	The period when the Bonds are publicly offered for sale, distribution and issuance by the Issuer to investors, commencing at 9:00 a.m., on September 3, 2021 and ending at 5:00 p.m., on September 8, 2021, or such other dates and time as the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may agree in writing.
OFI or Oleo-Fats	Oleo-Fats Incorporated
Optional Redemption Date	In respect of the Series B Bonds, (i) the third (3rd) anniversary of the Issue Date or on September 14, 2024, or (ii) the fourth (4th) anniversary of the Issue Date or on September 14, 2025, provided that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of the Optional Redemption Price shall be made by the Issuer on the next Business Day , without adjustment to the amount of accrued interest and Optional Redemption Price to be paid. For avoidance of doubt, there is no early redemption option for the Series A Bonds.
Optional Redemption Price	Has the meaning given to such term under “Optional Redemption”.
Oversubscription Option	The option of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Issuer, to increase the offer size of Three Billion Pesos (₱3,000,000,000) by up to an additional Two Billion Pesos (₱2,000,000,000) worth of Bonds to cover oversubscriptions, if any.
Oversubscription Option Bonds	Means up to Two Billion Pesos (₱2,000,000,000) worth of Bonds that may be issued offered and sold upon exercise by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner of the Oversubscription Option, with the concurrence of the Issuer.
PAS	Philippine Accounting Standards
Paying Agent	PDTC. The term includes, wherever the context permits, all other Person or Persons for the time being acting as paying agent or paying agents under the Registry and Paying Agency Agreement.
Payment Date	As the context may require, each Interest Payment Date, the

	Maturity Date for the relevant series of the Bonds, the relevant Redemption Date, and as applicable, other dates for payment of other amounts.
Payment Default	Has the meaning given to such term under “ <i>Description of the Bonds - Events of Default</i> ”.
PCD	Philippine Central Depository
PCD Nominee	PCD Nominee Corporation, a corporation wholly owned by the PDTC
PDEX	The Philippine Dealing & Exchange Corp., a domestic corporation duly registered with the SEC to operate an exchange and trading market for fixed income securities and a member of the Philippine Dealing System Group of Companies.
PDEX Rules	The PDEX Rules for the Fixed Income Securities Market, as amended, and as the same may be revised from time to time, as well as all other related rules, guidelines, and procedures that may be issued by PDEX.
PDS	The Philippine Dealing System Holdings Corp.
PDTC	The Philippine Depository and Trust Corp.
Penalty Interest	Has the meaning given to such term under “ <i>Description of the Bonds - Penalty Interest</i> ”.
Permit to Sell	The Certificate of Permit to Sell or Offer for Sale of Securities issued by the SEC in respect of the Offer.
Permitted Lien	<ul style="list-style-type: none"> (a) Any Lien existing as of the date of the Trust Agreement; (b) Liens for taxes or assessments or governmental charges or levies not yet delinquent or which are being contested in good faith by appropriate proceedings; (c) Liens arising by operation of law (other than any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines as the same may be amended from time to time) on any property or asset of the Issuer or its Subsidiaries, including without limitation, amounts owing to a landlord, carrier, warehouseman, mechanic or materialman; (d) Liens over or affecting any asset of any company which becomes a member of the Group after the date of the Trust Agreement, where the Lien is created prior to the date on which that company becomes a member of the Group; (e) Liens (not otherwise permitted in paragraphs (b) to (d) above) securing Debt owed under any government lending program; (f) Liens created by or resulting from any litigation or legal proceeding which is effectively stayed while the underlying claims are being contested in good faith by appropriate proceedings and with respect to which the Issuer or its Subsidiary, as applicable, has established adequate reserves on its books in accordance with PFRS; (g) Liens arising over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure the payment of any Debt in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset and in an aggregate principal amount at any date not to exceed 5%

	<p>of the consolidated net worth of the Issuer as of such date;</p> <p>(h) Liens securing indebtedness under hedging transactions (including foreign currency and interest rate swap and derivative transactions) entered into in the ordinary course of business and designed solely to protect the Issuer or its Subsidiaries from fluctuations in interest rates or currencies or commodities and not for speculation;</p> <p>(i) Liens created with the prior written consent of the Majority Bondholders; and</p> <p>(j) any extension, renewal, supplement, or replacement (or successive extensions, renewals, supplements, or replacements) in whole or in part of any Lien referred to in paragraphs (a) to (i) above, or any Debt secured thereby; provided that such extension, renewal, supplement, or replacement is limited to all or any part of the same property that secured the Lien extended, renewed, supplemented, or replaced (plus any construction, repair, or improvement on such property) and shall secure no larger amount of financial Debt than that existing at the time of such extension, renewal, supplement, or replacement.</p> <p>For this purpose, "Lien" means, with respect to any property or asset, (a) any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14)(a) of the Civil Code of the Philippines, as the same may be amended from time to time, in each case, to the extent securing payment or performance of a debt prior to any general creditor of such Person; and (b) the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or asset, or the proceeds therefrom, prior to any general creditor of the owner thereof.</p>
Person	Any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization.
PEZA	Philippine Economic Zone Authority
PFRS	Philippine Financial Reporting Standards, <i>which includes statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC) or, at any time, generally accepted accounting principles in the Philippines in conformity with international accounting standards in effect at such time.</i>
Philippines	The Republic of the Philippines
Philippine Peso, Pesos or ₱	The lawful and official currency of the Philippines.

Philippine Revised Corporation Code	Revised Corporation Code of the Philippines, Republic Act No. 11232
Philippine Renewable Energy Act	Republic Act. No. 9513, or the Renewable Energy Act of 2008
Philippine SEC	The Philippine Securities and Exchange Commission
Philippines	Republic of the Philippines
PhilRatings	Philippine Rating Services Corporation
Prospectus	Collectively and as relevant, the preliminary prospectus dated June 15, 2021 , the final prospectus dated August 27, 2021 , as amended or supplemented on September 2, 2021, prepared and issued by the Issuer in connection with the Offer, and all amendments, supplements and addenda thereto.
PSA	Philippine Standards on Auditing
PSE	The Philippine Stock Exchange, Inc.
Record Date	As used with respect to any Payment Date, (a) two (2) Business Days immediately preceding the relevant Payment Date, which shall be the cut-off date in determining the Bondholders entitled to receive interest, principal or such other payments due under the Bonds or (b) such other date as the Issuer may duly notify PDTC.
Redemption Date	The date when the Bonds (or any series thereof) are redeemed earlier than the relevant Maturity Date in accordance with the Terms and Conditions; provided that if the relevant Redemption Date falls on a day that is not a Business Day, then the payment of the principal and accrued interest (if any) shall be made by the Issuer on the next Business Day, without adjustment to the amount of principal and interest to be paid. For the avoidance of doubt, the term "Redemption Date" includes Optional Redemption Date.
Registrar	PDTC. The term includes, wherever the context permits, all other Person or Persons for the time being acting as registrar or registrars under the Registry and Paying Agency Agreement.
Registration Statement	The registration statement and other supporting documents filed by the Issuer with the SEC in connection with the offer and sale to the public of the Bonds and rendered effective by the SEC.
Registry of Bondholders or Register of Bondholders	The electronic registry book of the Registrar containing the official information on the names and addresses of the Bondholders and the amount of the Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon, to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement.
Registry and Paying Agency Agreement.	The Registry and Paying Agency Agreement dated August 27, 2021, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Issuer and the Registrar and Paying Agent in relation to the Bonds
Relevant Period	A period of twelve (12) calendar months ending on the last day of any quarter of any of the Issuer's fiscal years.
RTGS	The Philippine payment settlement system via Real Time Gross Settlement.

SEC	the Securities and Exchange Commission of the Philippines.
Series A Bonds	The Bonds to be issued by the Issuer, with an aggregate principal amount of ₱2,000,000,000.00, and in case the Oversubscription Option is exercised, up to an additional ₱1,000,000,000.00, having a term beginning on the Issue Date and ending on the third (3 rd) anniversary of the Issue Date or on September 14, 2024, with a fixed interest rate equivalent to 2.7885% per annum .
Series B Bonds	The Bonds to be issued by the Issuer, with an aggregate principal amount of ₱1,000,000,000.00, and in case the Oversubscription Option is exercised, up to an additional ₱1,000,000,000.00, having a term beginning on the Issue Date and ending on the fifth (5 th) anniversary of the Issue Date or on September 14, 2026, with a fixed interest rate equivalent to 3.5962% per annum .
Sole Issue Manager, Lead Underwriter and Sole Bookrunner	China Bank Capital Corporation
SRC	Securities Regulation Code of the Philippines (RA 8799) and its implementing rules, as amended.
Subsidiary	An entity of which a Person has direct or indirect Control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership.
Taxes or Tax	Any present or future taxes, levies, imposts, duties, filing, registration and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof.
Tax Code	Republic Act No. 8424, otherwise known as the National Internal Revenue Code of 1997, as amended from time to time.
Terms and Conditions	The terms and conditions as set out under the “ <i>Description of the Bonds</i> ” pursuant to which the Issuer issues, and the Bondholders subscribe for, the Bonds. As the context may require, “ <i>Description of the Bonds</i> ” also refers to “Terms and Conditions” of the Bonds.
Trust Agreement	The agreement executed by and between the Issuer and the Trustee dated on or about August 27, 2021 in connection with the distribution and sale by the Issuer of the Bonds, <i>as may be modified, supplemented or amended from time to time, entered into between the Issuer and the Trustee.</i>
Trustee	China Banking Corporation – Trust and Asset Management Group. The term includes, wherever the context permits, all other Person or Persons for the time being acting as trustee or trustees under the Trust Agreement.
Underwriting Agreement	The Underwriting Agreement dated August 27, 2021, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between and among the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner in relation to the Bonds.

EXECUTIVE SUMMARY

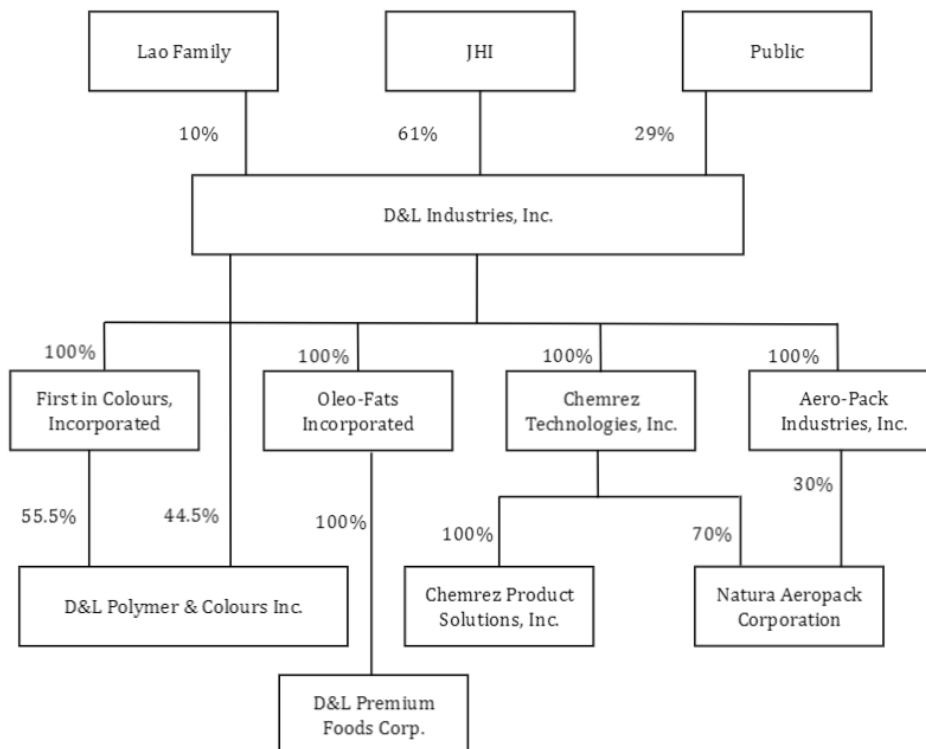
OVERVIEW

D&L Industries, Inc. was incorporated on July 27, 1971. Its registered office address and principal place of business is at No. 65 Calle Industria, Bagumbayan, Quezon City 1110, Philippines.

The Company is the holding company for a group of companies with interests in the customization, development and manufacturing of food ingredients, colorants, additives, engineered polymers, aerosol products, oleochemicals, resins, and powder coatings. It also renders management and other services to subsidiaries and affiliate companies, which includes executive management, administrative support, logistics support and technical services, and derives income therefrom in the form of management service fees.

The Company is a publicly listed company, having been officially listed on the PSE on December 12, 2012. It is 71% beneficially owned by the Lao family and the rest by the public.

The following diagram shows the corporate structure of the Company, excluding beneficial ownership of securities held by the Lao family members. As of June 30, 2021, the Company is 61% owned by JHI and 10% owned by the Lao Family. The remaining 29% of the shares outstanding are publicly held.



D&L's major subsidiaries and their corresponding dates of incorporation with the SEC are as follows:

<i>Subsidiary / Affiliate</i>	<i>Date of incorporation</i>
Oleo-Fats, Incorporated (OFI)	May 04, 1987
Chemrez Product Solutions, Inc. (CPSI)	November 16, 1988
First in Colours, Incorporated (FIC)	November 17, 1988
Chemrez Technologies, Inc. (Chemrez)	June 01, 1989
Aero-Pack Industries, Inc. (Aero-Pack)	September 29, 1989
D&L Polymer & Colours, Inc. (DLPC)	March 30, 2006
Natura Aeropack Corporation (NAC)	July 20, 2016
D&L Premium Foods Corp. (DLPF)	June 29, 2017

The Company derives the majority of its income from subsidiaries engaged in four (4) principal business lines, as set out below:

- *Food ingredients* – The Company, through its subsidiary OFI and soon through DLPF, manufactures a line of bulk and specialty fats and oils, culinary and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines. The company also manufactures food safety solutions such as cleaning and sanitation agents for various customers;

- *Oleochemicals, resins and powder coatings* – The Company, through Chemrez, its subsidiary CPSI and soon through NAC, focuses on developing, manufacturing, and supplying the highest quality of resins, oleochemicals, and specialty products that are effective and cost-efficient, without sacrificing ethical standards. Under this segment, the Company manufactures CME (coconut methyl ester), also known as coco-biodiesel, using the Philippines' first continuous-process methyl ester plant. The company also manufactures other higher value oleochemicals (chemicals derived from vegetables) that are used as sustainable alternative raw materials for many personal and home care products. Lastly, under this segment, the company also manufactures resins such as polystyrene, acrylic emulsions, polyester, and a line of powder coatings;

- *Colorants and plastics additives* – The Company, through its subsidiaries FIC and DLPC, develops and manufactures innovative plastic solutions that make plastics aesthetically appealing, functional, and sustainable. The group's products are mainly classified as plastic colorants, additive masterbatches, and engineered polymers. Plastic colorants give plastics precise coloring and special effects mainly used for brand and product identification. Additive masterbatches add functional features to plastics such as higher processability, antimicrobial properties, and anti-static properties. Meanwhile, engineered polymers are plastic compounds that have improved mechanical and thermal properties that make them ideal for films, bottles, furniture, appliances, electronic and automotive parts, etc. Lastly, the group offers sustainable options such as compostable plastics, biodegradable plastics, bio-based plastics, recycled compounds, and upcycled materials;

- *Consumer Products ODM (Original Design Manufacturer)* – The Company, through its subsidiary Aero-Pack and soon through NAC, is the first and only company in the Philippines to design and develop customized aerosol products focusing on personal care, home care, and

maintenance chemicals. The company also manufactures, on a toll manufacturing basis, non-aerosol products such as insecticides, liquid and gel disinfectants, cleaners, polishers, and liquid soaps.

For the year ended December 31, 2020, the Company's consolidated revenues amounted to ₱21.7 billion and consolidated net income amounted to ₱2 billion, representing a 23% year-on-year ("YoY") decline in earnings mainly due to the disruptions brought about by the COVID-19 pandemic. Earnings before interest and taxes amounted to ₱2.7 billion, lower by 23% YoY.

For the first three months of 2021, the Company posted an encouraging recovery with recurring earnings growing 35% YoY and 9% quarter-on-quarter ("QoQ") to ₱695 million. Including a one-time gain of ₱29 million related to the retroactive implementation of CREATE Act for the year 2020, total net income for the quarter stood at ₱724 million, up 41% YoY. All of the Company's business segments posted positive YoY growth. The recovery was mainly driven by people and businesses gradually adapting to the new normal. With more than a year into the pandemic, the Company, as well as many of its customers, has found new ways to continuously operate despite various mobility restrictions. This is true, not just for the chemicals segment but also for the food ingredients space wherein many food companies are now better-equipped to service customers on a 100% takeout or delivery basis.

COMPETITIVE STRENGTHS

The Company believes that it possesses the following principal strengths enabling it to compete effectively in its businesses:

Focus on innovation and development of specialty products

Operating in technology-intensive businesses, the Company focuses a significant portion of its resources on product innovation, using its experience, expertise and research and development capabilities to constantly supplement, update, and improve its product portfolio. As a result, the Company believes that it has been able to introduce a number of innovative products into the Philippine market, many of which are used by a number of key clients. For example, through its food ingredients business, the Company introduced an innovative vegetable oil which substitutes for the fatty acid profile of breast milk, allowing for the production of proprietary substitutes for milk products, as well as a hydrogenated lauric oil used to produce ice cream at lower cost compared with imported milk fat. Moreover, through its colorants and plastic additives business the Company responded to feedback by certain customers with respect to their production processes by formulating and introducing a line of purging compounds into the market. These products immediately improved operational efficiency by significantly reducing the turnaround times in which a customer could re-use its production lines for a different product. The Company has built on this successful launch and now sells these purging compounds to a wider range of customers. The Company has also introduced a number of innovative aerosol products, including a line of scented, non-greasy interior and exterior automotive and motorcycle dressings and an environmentally-friendly diesel fuel line cleaner. The Company believes that its ability to innovate new products adds value to its customers' processes, while also diversifying its revenue streams and strengthening its competitive advantage.

Advanced technical expertise for custom production

The Company believes its extensive experience and commitment to research and development has allowed it to build its technical expertise, using technologies it believes to be among the most advanced in Asia. The Company believes it has been able to leverage this considerable technical expertise and know how to adjust and tailor its products according to its customers' precise specifications and requirements. Moreover, as a result of its experience and advanced production processes, the Company has the ability to respond quickly to requests for high-quality customized products, notably as set out below.

Food ingredients. The Company manufactures a line of bulk and specialty fats and oils, culinary, and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines. The Company also manufactures food safety solutions such as cleaning and sanitation agents for various customers.

Colorants and plastic additives. The Company upgrades its equipment for its colorants and additives business on a regular basis, as required by technological advances in the industry. The Company utilizes these new technologies to enhance its ability to customize its plastics products to ensure precise color, the required mechanical and thermal properties, as well as other requested properties such as tensile strength, impact resistance, processing speed, flammability, and heat resistance.

Oleochemicals, resins and powder coatings. The Company ensures that it remains at the technological forefront for product development and application testing through its comprehensive analytical and applications laboratory. This allows the Company to customize certain products, such as resins and oleochemicals, in close technical collaboration with local, regional, and multinational clients.

Consumer Products ODM. The Company is the first and only company in the Philippines to design and develop customized aerosol products focusing on personal care, home care, and maintenance chemicals. The Company also manufactures, on a toll manufacturing basis, non-aerosol products such as insecticides, liquid and gel disinfectants, cleaners, polishers, and liquid soaps.

In addition, by continually leveraging the latest technology across its business processes, the Company believes it has developed a reputation for quality and efficiency, and has also been able to reduce its production costs, resulting in a significant competitive advantage. The Company has established a state-of-the-art analytical laboratory which throughout the years, has significantly enhanced its capability in the research, design and development of new products and in the reverse engineering of existing products. The laboratory was awarded a Certificate of Accreditation as an ISO 17025 Chemical Testing Lab by the Department of Trade and Industry's Philippine Accreditation Office, attesting to its high-quality facilities and employees. The Company has continuously upgraded this and its other application laboratories to allow it to continuously seek and implement innovations across the Company's entire product design and development cycle.

Strong track record resulting in long-term collaborative relationships

The Company has nearly five decades of operating history in the Philippines, offering high quality products and services which have established it as a leader in its businesses, and has resulted in a customer base comprising some of the largest Philippine and multinational

corporations. More importantly, the Company believes that its experience and track record have enabled it to foster long-standing and collaborative relationships with most of its major customers, some of whom the Company has served for nearly 50 years. Due mainly to its proven track record, the Company's key customers have shown a willingness to commit time and resources to collaborate with the Company on product development and operational improvements. As a result, the Company often works in tandem with its major customers to identify issues in their respective businesses, and then formulate and develop new products or product solutions to address these concerns. In addition, to bolster these relationships, the Company often supports its sales efforts to customers with after-sales services such as on-site troubleshooting, which further strengthens its key relationships. The Company believes that these strong relationships have been a key driver of its growth over the past years, allowing it to steadily increase the products sold to long-standing customers, as well as presenting numerous cross-selling opportunities across its product portfolio to such customers. In addition, the Company believes its strong relationships help it retain the loyalty of such key customers, which is difficult to replicate, presenting a significant barrier to entry against potential competitors.

Experienced management team with a proven track record

The Company's management team is comprised of knowledgeable and experienced industry experts with a proven track record in chemicals and related industries. The Company's senior management members have an average of over 40 years of industry experience. The Company's production plants and research and development facility are staffed by technicians and senior engineers with significant skills and experience in operating production facilities and product development, respectively. Many of the Company's executive officers hold publicly recognized industry organization posts and enjoy wide recognition throughout the industry. The Company believes its experienced management team has been a key to its past success and will continue to contribute to its future growth.

Streamlined corporate structure and organization to maximize efficiency and reduce costs

The Company has adopted a "flat" organizational structure across D&L Industries, its subsidiaries, and associates, with D&L Industries providing numerous shared services at a centralized level to its subsidiaries and associates, including management, research & development, product development, warehousing and logistics, among others. This structure not only helps the Company monitor costs with respect to these services, but also to act dynamically and make quick decisions to respond to changes in market conditions. Compared to other competitors with more hierarchical organizational structures, the Company believes that it derives substantial synergies and efficiencies from its structure, allowing it a significant competitive advantage. For example, the Company believes that its well-developed logistics platform allows it to effectively supervise inventory management at its seven on-site warehouses at its production facilities. Moreover, the Company's integrated handling, storage, and delivery facilities allow it to manage its distribution capabilities more efficiently across its businesses.

Well-positioned to benefit from industry trends and increasing demand for environmentally friendly products

The continued growth of the Philippine economy has resulted in both a rise in consumer spending and an expansion of the service sector. This rapid growth has led to an expansion of the industries in which the Company's customers operate, such as those related to food and

beverage, quick-service restaurants, packaging, furniture and other household products. The Company believes it is well-positioned to capture the opportunities such industry trends have presented due to its leading position in its respective businesses.

In addition, the Company believes the demand for certain of its products will further increase in light of the increasing focus on the implementation of environmental protection policies by the Philippine government and other governments. For example, the Government passed Republic Act 9367, known as the Biofuels Act of 2006, which mandates that all diesel fuel contain biodiesel, a main product of the Company's oleochemicals business, at a concentration of 2% from 2009. The Government is considering increasing this mandate to 5%, which the Company believes will increase the market and Chemrez's corresponding market share.

Centralized location and strong logistics platform

The Company's plants are strategically located within easy reach of suppliers and customers. Its food ingredients plant is located at Mercury Avenue, Quezon City, within the vicinity of several food manufacturing and warehousing facilities. The Company's refined vegetable oils and fractionated oils processing plant and tank are located in Sta. Ana, Manila, which is accessible by barge through the Pasig River, a main river that traverses through Metro Manila. The DLPC plastics facility is located at the PEZA zone in Canlubang, Laguna, where several of its clients are located. The FIC plant, Aero-Pack and Chemrez plants are all located in Brgy. Bagumbayan, Quezon City which is centrally accessible. This common centralized location allows the Company timely and cost-effective deliveries of both raw materials from suppliers and the Company's products to customers. The Company owns and maintains a fleet of forty-two (42) road tankers with a total capacity of over 1,000 metric tons ("MT").

Refined vegetable oils storage capacity provides protection against pricing volatility

The Company's tank farm in Sta. Ana, Manila and Mercury Plant have the largest rated capacity in the Philippines. During the past few years, the prices of certain vegetable oils in the global market have experienced periods of volatility. The storage capacity of the Company allows it to physically hedge its vegetable oil purchases, making larger purchases when prices decrease, and reducing purchases when prices increase. This allows the Company to competitively price its products and maintain customer satisfaction.

BUSINESS STRATEGIES

Maintain market leading positions in its respective markets and businesses

The Company intends to maintain its market leading positions in the industries in which it operates by leveraging its existing long-term relationships with its customers and research and development capabilities to produce tailor-made solutions that meet each customer's evolving needs. The Company believes that relationships will continue to be the key driver in developing business opportunities and increasing sales. It intends to increase training for specialized marketing teams for each of its business lines to better market the Company's design and research and development capabilities. The Company intends to maintain close contact with its customers and seeks to understand their businesses better in order to offer them a marketable range of products, as well as potentially cross-sell other Company products.

Continuously innovate to develop new or more efficient products

The Company intends to continuously innovate to develop and introduce new or more efficient customized and specialty products for its customers. Utilizing its considerable experience and track record in its businesses, along with its technical expertise and research and development resources, the Company intends to keep abreast of technological advancements and process improvements and integrate and apply these to its operations. The Company also intends to take advantage of its strong relationships with its large key customers by taking and utilizing the valuable feedback from the customers to develop new customized products to anticipate and meet their requirements. The Company believes that paying close attention to advances in the market and constantly seeking to innovate and develop new or more efficient products is key in its businesses.

Capitalize on the growing Philippine domestic markets

Many of the end-use products which contain the Company's products are marketed to middle-class consumers. The Company believes that the Philippine middle class will continue to grow, increasing demand for added value products such as specialty foods and a variety of consumer goods. Such retail consumer demand will in turn increase demand for the Company's products, such as food ingredients, engineered polymers, oleochemicals, and aerosol products. In particular, the Company expects demand for household items produced by its aerosol business line, such as household insect control products, air fresheners, furniture polish and personal care products to increase significantly with the increase in household consumers' disposable income.

The Company believes it is well positioned to benefit from the expected economic growth of the Philippines in both the industrial and consumer sectors. The Company plans to meet the increased demand through a number of strategies, including increased capital expenditures for plant expansion, research and development to create new product lines and improve production processes, and increased marketing campaigns to bring attention to the Company's various products such as attendance of technical marketing trade shows.

Economic growth will also drive demand for energy, which the Company believes will result in increased sales of biodiesel, a major product of Chemrez. The Company believes that the Philippine government's policy of encouraging "green" energy and energy independence should also contribute to increased demand for biodiesel from Chemrez.

Continue to improve business and production processes

The Company intends to improve the efficiency of its management and production processes by maintaining a flat management structure, an integrated, centralized research and development platform and committing sufficient capital to equipment upgrades and related training. The Company will ensure that senior management is apprised of trends in the Company's various industries and works with production teams to adopt the newest technologies to maintain a competitive advantage as well as enhance the Company's reputation as a market leader. The Company intends to periodically reassess its management techniques and production processes for areas of improvement, as well as continually seek more cost-effective sources of raw materials and more efficient operating and production models. The Company will devote research and development resources to maximize the production value of newly adopted equipment and make incremental improvements to such equipment. Adequate resources will be devoted to training production staff and marketing staff.

Pursue international expansion opportunities

The Company intends to continue to expand sales in its various industries to the international market by expanding sales to current customers that use the Company's products in the Philippines to include the affiliates and operations of such companies in foreign markets. The Company also intends to increase its visibility internationally through the increased use of agents and by participating in industry exhibitions abroad and entering into strategic alliances with established manufacturers and marketers in select foreign markets.

IMPACT OF COVID-19 PANDEMIC

The year 2019 was one of consolidation for D&L Industries, as the different operating subsidiaries suffered net income declines at one quarter or another, cyclical or otherwise. The expected recovery in the first quarter of 2020 was dashed by the first signs of a looming global pandemic due to the new COVID-19 respiratory disease. The Philippine economy was severely affected when Metro Manila was locked down in the last two weeks of that quarter.

Exports vs. local sales

The year 2019 was especially harsh for exports as revenues declined steadily, year-on-year, from first quarter of 2019 to third quarter of 2019, and was still in double digit decline in the fourth quarter of 2019. This trend reversed with double digit gains in the first quarter of 2020, as the March 2020 lockdown came too late to affect exports at that time.

Coming from the low bar set in 2019, year-on-year export revenues grew in very high double-digit percentages from second quarter of 2020 onwards. Sluggish local sales, however, dragged down year-on-year totals throughout 2020, even as consolidated revenues from both sources finally breached positive percentages from third quarter of 2020 until first quarter of 2021.

On a full year basis, as a share of total revenues, exports have grown year-on-year from the low 20% levels in 2019 and first quarter of 2020, to low 30% percentages for the remainder of 2020 and up to first quarter of 2021. This occurred despite the logistical challenges of the disruption in global supply chains in the second quarter of 2020.

HMSP vs. commodity products

Consolidation in 2019 was spearheaded by D&L's conscious decision to deemphasize commodity products vis-à-vis high margin specialty products (HMSPs), as characterized by the much steeper declines, year-on-year, of the former compared to the latter, pulling down revenues that entire year.

Coming off such hefty declines in the year-on-year baselines, recovery in commodities revenue growth throughout 2020 was helped along by global belt-tightening as people went back to basics and gave up luxuries while locked down at home.

Consolidated revenue growth recovered minimally from third quarter of 2020 through first quarter of 2021, driven more by commodities than HMSPs.

On a positive note, both product groups, as well as total revenues, had all returned to growth in the first quarter of 2021, despite the still raging pandemic.

The mix of HMSP and commodity revenues underwent gradual changes from first quarter of 2019 to first quarter of 2021. Focus on HMSPs resulted in peaks for this product group of low 70% share of total revenues for most of 2019. Recovery in commodity revenues began in the fourth quarter of 2020 and accelerated throughout the subsequent pandemic-driven quarters, reflecting the market shift to basic products and services, hitting the current high of 42% share of revenues by the end of the first quarter 2021.

Response and resilience

D&L Industries was quick to respond to the developing pandemic. Its size and presence in key industries allowed it to quickly pivot, pouring resources into alcohol & disinfectant production, as well as keeping the food ingredients flowing. The Company moved immediately to protect its people, guaranteeing job security amidst the layoffs in many other places of work. In response to the call of the times, the Company made generous donations in cash and in kind to hospitals and medical frontliners, as well as to the LGUs and communities it belongs to.

From the beginning of the pandemic up to the current time, while not perfect, the Company has been fairly successful at keeping its workforce and their families COVID-free. Health resiliency company-wide is expected to improve significantly as its A3 & A4 category workers get increasingly vaccinated, initially care of the LGUs, and later, as the Company's vaccine orders are delivered later in the year.

The table below shows the current measures being observed by D&L to mitigate the negative impact of the pandemic in the workplace. The measures are subject to change.

D&L Industry's Measures to Mitigate the Negative Impact of the Pandemic	
Worksite & offsite arrangements	<ul style="list-style-type: none"> ● Work from home policies and other flexible arrangement for all applicable employees ● Shuttle services for selected sites & personnel ● During the height of the lockdown in certain sites, stay-in arrangements for production & support personnel
Digital measures	<ul style="list-style-type: none"> ● Increased VPN capabilities for remote access ● Acquired & deployed more laptops, especially for work-from-home purposes ● Provision of prepaid Wi-Fi solutions for select work-from-home personnel ● Enhanced Internet coverage for stay-in personnel ● Rolled out the online Health Declaration Form (Ingat Kalusugan Checklist) for contact tracing ● Improved online sales & fulfillment capabilities
In-premises health protocols	<ul style="list-style-type: none"> ● Strict implementation of safety and health protocols for physically reporting staff (mandatory mask, face shield wearing, physical distancing, body temp check, alcohol misting every ingress) ● Currently no face-to-face meetings are allowed

	<ul style="list-style-type: none"> ● No gatherings are permitted on-site ● All meeting rooms are limited to single occupancy ● Alternate lunch hours (to limit crowds at our on-site canteen) ● No talking in the canteen ● Penalties are enforced on employees who do not adhere to the above rules and regulations (i.e. warning, suspension system) ● Regular disinfection of facilities, daily and weekly ● Installation of barriers at the canteen and physical distancing signages ● Signages reminders installed ● CCTV monitoring of employees violating health measures ● Separate disposal for hazardous waste such as disposable masks
<p>Health care & vaccination</p>	<ul style="list-style-type: none"> ● Random antigen testing across employee samples at all company sites ● One day vaccination leave for eligible employees ● In advanced stages of securing vaccines for our workforce ● Special leave for employees who maxed out leave credits when Covid-19 positive ● Not allowing employees who are sick to report for work

Impact of R.A. 11494 (Bayanihan to Recover as One Act)

On September 11, 2020, Republic Act (R.A.) No. 11494, otherwise known as the Bayanihan to Heal as One Act, was enacted into law. It provides for COVID-19 response and recovery interventions as well as mechanisms to accelerate the recovery and bolster the resiliency of the Philippine economy. As far as the company’s various businesses are concerned, no direct and significant impact was observed as a result of R.A. No. 11494.

NEXT GENERATION FACILITY IN BATANGAS

The Company is currently embarking on a next generation expansion plan which is expected to add a meaningful capacity. The new facility is being built on a 26-hectare property in First Industrial Township - Special Economic Zone in Batangas.

Once completed, the new plant will be instrumental to the Company’s future growth, in line with plans to develop more high value-added coconut-based products and penetrate new international markets. It will mainly cater to D&L’s growing export business in the food and oleochemicals segment. It will add the capability to manufacture downstream packaging, thus allowing the company to capture a bigger part of the production chain. For instance, while the Company primarily sells raw materials to customers in bulk, the new plants will allow it to “pack at source”. This means that the Company will have the ability to process the raw materials

and package them closer to finished consumer-facing products. This will enable the Company to move a step closer to its customers by providing customized solutions and simplifying their supply chain, which is of high importance given global logistical challenges and concerns.

The new facility is envisioned to showcase state of the art technology in manufacturing as well as global best practices in incorporating sustainability in operations. Below are some of the key sustainability features of the said facility:

- *Sustainably designed buildings and a central command center* - Energy and water efficiency, CO2 emission reduction, and excellent indoor air quality are incorporated in the overall design of the new facility. In addition, a central command center will house the monitoring of all key environmental elements. It will also house the centralized security, risk management, and business continuity departments of the company.
- *Renewable energy sources* - A significant portion of the new facility's power requirement will be coming from solar power. In addition, the Company is also exploring other renewable energy sources as fuel for its manufacturing plants.
- *Chilled water system* - All cooling requirements of the new facility will be centralized. This is expected to translate into greater energy efficiency and lower maintenance costs.
- *Water retention system* - Surface run-off and rainwater will be collected in a water retention pond which can store up to 5 days' worth of the plant's water requirements. This is expected to mitigate risk of water scarcity.
- *Sensors throughout the facility* - Several sensors will be installed throughout the facility to monitor various indicators such as water turbidity and acidity levels, effluent leakage and other possible contamination. With sufficient sensors installed, any abnormal reading will be easily detected and a corresponding corrective action can be promptly done.
- *Continuous Emission Monitoring System (CEMS)* - While not required by the Department of Environment and Natural Resources (DENR), the Company intends to install its own CEMS to consistently test boiler emissions. This is part of the Company's initiatives to track and reduce its overall emissions.
- *Noise monitoring system* - In order to monitor and minimize noise pollution, noise monitors and sensors will be installed in the noisiest part of the plant to ensure adherence to the limits set by the park and to also ensure the surrounding communities are not adversely affected.
- *Tree planting* - The Company intends to do a tree planting activity to surround its new site with hybrid coconut trees.

RISKS OF INVESTING

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

- Risks relating to the Company and its businesses;
- Risks relating to the Philippines;
- Risks relating to the Bonds; and
- Risks relating to certain statistical information in this Prospectus.

CORPORATE INFORMATION

The Company is a Philippine corporation with its registered office and principal executive offices located at No. 65 Calle Industria, Bagumbayan 1110, Quezon City, Philippines. The Company's telephone number is +63-(2) 8635-0680 and its fax number is +63-(2) 8635-0696. Its corporate website is www.dnl.com.ph. The information on the Company's website is not incorporated by reference into, and does not constitute part of, this Prospectus.

SUMMARY OF THE OFFER

The following summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Preliminary Prospectus, including, but not limited to, the discussion on the “Description of the Bonds” and “Plan of Distribution”. This overview may not contain all the information that prospective investors should consider before deciding to invest in the Bonds. Accordingly, any decision by a prospective investor to invest in the Bonds should be based on a consideration of the Prospectus and the Bond Agreements as a whole.

Prospective Bondholders must make their own appraisal of the Issuer and the Offer and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They 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 substitutes for the prospective investor’s independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their respective legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds.

Issuer	D&L Industries, Inc. (“D&L”), a company incorporated under the laws of the Philippines
Sole Issue Manager, Lead Underwriter and Sole Bookrunner	China Bank Capital Corporation
Issue	SEC-registered Peso-denominated fixed rate bonds constituting the direct, unconditional, unsecured and general obligations of the Issuer
Manner of Offering	Public offering in the Philippines
Issue Amount	<p>Base Offer of ₱3,000,000,000 with an Oversubscription Option of up to ₱2,000,000,000.</p> <p>The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall have the option, in consultation with the Issuer, to increase the Base Offer by up to ₱2,000,000,000.00 in the event of an oversubscription.</p> <p>The Bonds will be issued in two (2) series consisting of: Series A Bonds: 2.7885% p.a. due 2024 Series B Bonds: 3.5962% p.a. due 2026</p>
Use of Proceeds	<p>Net proceeds will be used for (i) partially financing capital expenditures; (ii) repayment of bridge loans and its interest costs drawn by the Company to fund capital expenditures; and/or (iii) general corporate purposes.</p> <p>For a detailed discussion on the Use of Proceeds please refer to the section on Use of Proceeds on page 60.</p>
Issue Price	The Bonds shall be issued at 100% of face value.
Form and	The Bonds shall be issued in scripless form and in denominations of

Denomination of the Bonds	₱50,000 each, as a minimum, and in integral multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.
Offer Period	The Offer shall commence at 9:00 a.m. on September 3, 2021 and end at 5:00 p.m. (Philippine Standard Time) on September 8, 2021, or on such other dates as the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may agree upon.
Issue Date	The Bonds are expected to be issued on September 14, 2021 or such other date as may be agreed upon by the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, with advice to SEC, PDTC and PDEx. In the event that the original Issue Date is moved to the succeeding Business Day, the interest accruing for the first Interest period shall accrue from (and including) such adjusted Issue Date, without adjustment to the Interest Payment Date.
Maturity Dates	Series A <i>Bonds: September 14, 2024 or three (3) years from the Issue Date;</i> Series B <i>Bonds: September 14, 2026 or five (5) years from the Issue Date;</i> <i>provided that, in the event that such Maturity Date falls on a day that is not a Business Day, the relevant Maturity Date shall be the immediately succeeding Business Day, without adjustment to the amount of interest and principal to be paid.</i>
Interest Rates	Series A: Fixed interest rate of 2.7885% per annum Series B: Fixed interest rate of 3.5962% per annum
Interest Payment Dates and Interest Payment Computation	Interest payment on the Bonds shall commence on December 14, 2021, and thereafter, shall be on each of March 14, June 14, September 14 and December 14 of each year, or the next Business Day if any such dates fall on a non-Business Day (without any adjustment to the amount of interest to be paid), during which any of the Bonds are outstanding (each, an "Interest Payment Date"). Interest on the Bonds shall be calculated on European 30/360-day count basis, regardless of the actual number of days in a month.
Final Redemption	Unless otherwise earlier redeemed or purchased and cancelled, the Bonds shall be redeemed at 100% of face value on their Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment to the amounts due, on the succeeding Business Day. Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the relevant Maturity Date shall be entitled to receive the principal amount of the Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.
Early Redemption	The Issuer shall have the right, but not the obligation, to redeem in

<p>Option</p>	<p>whole (and not in part), any outstanding Series B Bonds on the relevant Optional Redemption Dates as set out below:</p> <table border="1" data-bbox="576 344 1319 508"> <thead> <tr> <th colspan="2">Series B Bonds</th> </tr> <tr> <th>Optional Redemption Dates</th> <th>Optional Redemption Price</th> </tr> </thead> <tbody> <tr> <td>On the 3rd year from Issue Date</td> <td>101.0%</td> </tr> <tr> <td>On the 4th year from Issue Date</td> <td>100.5%</td> </tr> </tbody> </table> <p>provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of the Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Series B Bonds pursuant to this Early Redemption Option.</p> <p>The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Series B Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the Optional Redemption Date; and (ii) the product of the principal amount of the Series B Bonds being redeemed and the Optional Redemption Price in accordance with the above table.</p> <p>The Issuer shall give no more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent of its intention to redeem the Series B Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series B Bonds on the Optional Redemption Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar and Paying Agent an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Series B Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and Optional Redemption Price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.</p>	Series B Bonds		Optional Redemption Dates	Optional Redemption Price	On the 3 rd year from Issue Date	101.0%	On the 4 th year from Issue Date	100.5%
Series B Bonds									
Optional Redemption Dates	Optional Redemption Price								
On the 3 rd year from Issue Date	101.0%								
On the 4 th year from Issue Date	100.5%								
<p>Early Redemption for Taxation Reasons</p>	<p>If payments under a series of or all the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant Bond series in whole or all the Bonds in whole, and not in part only, on any Interest Payment Date at 100% of face value and paid together with the accrued interest thereon, provided the Issuer has given not more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent, and subject to the requirements of Applicable Law. If the Issuer does not redeem the relevant Bond series or all the Bonds then all payments of principal</p>								

	<p>and interest in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by Applicable Law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.</p> <p>Upon receipt by the Trustee of a written notice from the Issuer hereunder, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.</p> <p>For the avoidance of doubt, the Issuer shall not, in any case, be liable for Excluded Taxes. Please see "Description of the Bonds - Payment of Additional Amounts - Taxation" for the enumeration of Excluded Taxes.</p>
<p>Early Redemption by reason of Change in Law of Circumstances</p>	<p>Upon the occurrence of a Change in Law or Circumstance, the Issuer shall provide the Trustee, or the Trustee shall procure (cost being for the account of the Issuer), an opinion of legal counsel confirming the occurrence of any Change in Law or Circumstance and the consequences thereof, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon, the Trustee, after consultation with the Issuer and, in any case, within ten (10) Business Days after receipt of such opinion, shall give to the Issuer and all the Bondholders written notice of such Change in Law or Circumstance. Within thirty (30) days from such notice (the "<i>Cure Period</i>"), the Issuer shall use reasonable measures available to it to remedy the Change in Law or Circumstance so that the same event shall cease. The Issuer shall also have the option to redeem in whole, but not in part, the Bonds at par (or 100% of face value) and paid together with the accrued interest thereon, exercisable within the Cure Period by giving not more than sixty (60) nor less than thirty (30) (or such shorter period prescribed by Applicable Law, if any) days' notice.</p> <p>If after the lapse of the Cure Period the Change in Law or Circumstance is continuing and the Issuer has not given any notice of exercise of its option to redeem under this section, then, the Trustee acting upon the instructions of the Majority Lenders, by notice in writing delivered to the Issuer, may declare the principal of the Bonds in whole, and not in part only, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty that is imposed under any redemption event, anything in the Trust Agreement or in the Bonds contained to the contrary notwithstanding.</p>

	<p>“Change in Law or Circumstance” is deemed to have occurred if any provision of the Bond or the Bond Agreements (in whole or in part) is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder or to enforce any provision thereunder; or any law is introduced or any existing Applicable Law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the Issuer of its obligations under the Bonds or the Bonds Agreements.</p>
<p>Early Redemption by Reason of Change of Control</p>	<p>Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to redeem all (but not some) of the Bonds at 100% of face value, which shall be paid together with the accrued interest thereon. Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to redeem all (and not some) of the Bonds; and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date written notice is received by the Trustee). <i>Failure by the Issuer to provide the notice to the Trustee of the occurrence of such Change of Control shall be without prejudice to the Trustee providing the notice to the Bondholders as contemplated in this paragraph.</i></p> <p>The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds under this section shall be conclusive and binding upon all the Bondholders.</p> <p>“Change of Control” means the Lao Family and JHI together ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50.0% in the Issuer or ceasing to have control over the Issuer. For purposes of this paragraph:</p> <p>(a) “control” means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of such Person whether through ownership of voting shares, by contract, or otherwise the acquisition, at any given time, by any Person or Persons acting in concert or any third Person or Persons acting on behalf of such person(s), whether directly or indirectly, of a controlling participation in the Issuer; and</p> <p>(b) “controlling participation” means ownership of more than 50% of the total issued and outstanding voting capital stock, or the right to elect more than 50% of the total number of the members of the Board of the Issuer.</p>
<p>Purchase and Cancellation</p>	<p>The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to make pro rata purchases from all the Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.</p>

	Upon listing of the Bonds in the PDEX (see below), the Issuer shall disclose any such transaction in accordance with the applicable PDEX Rules.
Status of the Bonds	The Bonds shall constitute the direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and ratably without any preference or priority amongst themselves and at least <i>pari passu</i> with all other present and future unsubordinated and unsecured indebtedness of the Issuer, contingent or otherwise, other than indebtedness mandatorily preferred by operation of law and not by contract, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines), but in the event of insolvency, such financial obligations shall be absolute and unconditional only to the extent permitted by Applicable Law relating to creditors' rights generally.
Negative Pledge	The Issuer will not, and shall procure that none of its Subsidiaries shall, without the consent of the Majority Bondholders, (a) create, assume, incur or suffer to exist any Lien upon any of their respective properties or assets (including any uncalled capital), present or future business undertaking, or revenues; and (b) sell, transfer or otherwise dispose of any of their respective assets on terms whereby they are or may be leased to or re-acquired by the Issuer or any member of the Group, in each case, where the arrangement or transaction is entered into primarily as method of raising Debt or of financing acquisitions of an asset, provided that the foregoing restrictions shall not apply to any Permitted Liens.
Taxation	Interest income on the Bonds is subject to a withholding tax at rates of between 10% and 25% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following ("Excluded Taxes"): <ul style="list-style-type: none"> a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholders' Selling Agent or PDEX Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers, issued by the BIR; b) Gross Receipts Tax under Section 121 and 122 of the Tax Code;

	<p>c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;</p> <p>d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337; and</p> <p>e) Any applicable taxes on any subsequent sale or transfer of the Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).</p> <p>Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.</p> <p>Please see the section on "Taxation" in the Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership and disposition of the Bonds.</p>										
Bond Rating	<p>The Bonds have been rated PRS Aaa with a Stable Outlook by Philratings on July 19, 2021.</p> <p>The rating is subject to regular annual reviews, or more frequently as market developments may dictate, while the Bonds are outstanding.</p>										
Listing	<p>The Issuer intends to list the Bonds on PDEX on the Issue Date.</p>										
Transfer of the Bonds	<p>Trading of the Bonds will be coursed through PDEX Trading Participant subject to the applicable PDEX rules and conventions. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar.</p> <p>For a detailed discussion on Transfer of the Bonds please refer to the section on "<i>Description of the Bonds – Transfer of the Bonds</i>".</p>										
Own Risk	<p>Investment in the Bonds is not covered by the Philippine Deposit Insurance Corporation. Any loss or depreciation in the value of the assets of the Bondholders, resulting from the investments or reinvestment in the Bonds and the regular conduct of the Trustee's trust business shall be for the account of the Bondholder.</p> <p>Please refer to the section entitled "Risk Factors" which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Bonds.</p>										
Governing Law	<p>Republic of the Philippines</p>										
Indicative Timetable	<table> <tr> <td>Receipt of SEC Pre-Effective Clearance</td> <td>August 26, 2021</td> </tr> <tr> <td>Interest Rate Setting Date</td> <td>August 26, 2021</td> </tr> <tr> <td>Receipt of SEC Permit to Sell</td> <td>August 27- September 1, 2021</td> </tr> <tr> <td>Public Offer Period</td> <td>September 03 – 08, 2021</td> </tr> <tr> <td>Settlement, Issue and Listing Date</td> <td>September 14, 2021</td> </tr> </table>	Receipt of SEC Pre-Effective Clearance	August 26, 2021	Interest Rate Setting Date	August 26, 2021	Receipt of SEC Permit to Sell	August 27- September 1, 2021	Public Offer Period	September 03 – 08, 2021	Settlement, Issue and Listing Date	September 14, 2021
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Trustee	China Banking Corporation – Trust and Asset Management Group
Registrar and Paying Agent	Philippine Depository & Trust Corp.
Counsel to the Issuer	Corporate Counsels, Philippines Law Offices
Counsel to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner	SyCip Salazar Hernandez & Gatmaitan Law Offices

SUMMARY FINANCIAL INFORMATION

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

The summary financial information presented below as of and for the years ended December 31, 2018, 2019 and 2020 was derived from the consolidated financial statements of the Company prepared in accordance with PFRS and audited by Isla Lipana & Co., a PwC member firm ("Isla Lipana") in accordance with the PSA.

The summary financial information presented below as of March 31, 2021 and for the three months ended March 31, 2020 and 2021 was derived from the unaudited interim condensed consolidated financial statements of the Company prepared in accordance with PAS 34. The information below is not necessarily indicative of the results of future operations.

The Company adopted the CREATE Act which seeks to lower corporate income tax rates and to rationalize fiscal incentives on the amounts presented in the interim consolidated statement of financial position and interim consolidated statement of income as of and for the three months ended March 31, 2021.

Condensed Consolidated Statements of Total Comprehensive Income

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(₱ in millions) (audited)			(₱ in millions) (unaudited)	
Revenues	26,542.6	22,385.8	21,739.0	5,672.0	7,004.0
Cost of sales and services	(21,463.7)	(17,712.0)	(17,745.8)	(4,679.2)	(5,834.9)
Gross profit	<u>5,078.9</u>	<u>4,673.8</u>	<u>3,993.2</u>	<u>992.8</u>	<u>1,169.1</u>
Expenses, net	(1,225.0)	(1,381.5)	(1,437.5)	(318.9)	(322.8)
Profit before income tax	<u>3,853.9</u>	<u>3,292.3</u>	<u>2,555.7</u>	<u>673.9</u>	<u>846.3</u>
Income tax expense	(666.8)	(672.3)	(544.1)	(159.3)	(122.7)
Profit for the period	<u>3,187.1</u>	<u>2,620.0</u>	<u>2,011.6</u>	<u>514.6</u>	<u>723.6</u>
Other comprehensive income (OCI)					
Remeasurement (loss) gain on retirement benefit, net of	10.4	(48.0)	(49.6)	—	—

tax

Fair value adjustment on investment in equity securities at fair value OCI (FVOCI), net of tax	37.4	18.2	—	—	—
Total comprehensive income for the period	3,234.9	2,590.2	1,962.0	514.6	723.6

Condensed Consolidated Statements of Financial Position

	For the years ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
	(¥ in millions) (audited)			(¥ in millions) (unaudited)
ASSETS				
Current Assets				
Cash and cash equivalents	1,775.0	1,989.7	2,136.6	3,057.3
Receivables, net	4,587.7	3,499.4	3,682.0	3,978.3
Due from related parties	56.2	37.4	44.7	90.6
Inventories, net	6,379.8	5,046.2	5,832.5	5,020.8
Financial assets at FV thru profit & loss	35.9	644.0	638.5	626.6
Prepayments and other current assets	1,821.9	2,195.9	2,495.0	3,576.7
Total Current Assets	14,656.5	13,412.6	14,829.3	16,350.3
Noncurrent Assets				
Right-of-use assets	0.0	228.7	103.8	242.3
Investments in equity securities (FVOCI)	164.7	182.2	182.2	182.2
Property, plant and equipment	2,882.0	4,006.8	5,693.9	6,344.4
Retirement benefit assets	101.2	26.6	-	-
Deferred income tax assets, net	0.0	15.0	86.6	54.7
Goodwill	3,367.8	3,367.8	3,367.8	3,367.8
Other non-current assets	1,225.1	1,060.9	1,128.5	1,559.1
Total Noncurrent Assets	7,740.9	8,888.0	10,562.9	11,750.7
Total Assets	22,397.4	22,300.6	25,392.2	28,101.0
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payable and other liabilities	1,423.1	1,258.8	1,927.0	2,137.5
Lease liabilities	0.0	198.9	77.0	156.5

Due to related parties	905.9	215.7	21.3	10.0
Short-term borrowings	2,400.0	3,400.0	5,150.0	7,050.0
Income tax payable	76.9	67.9	48.2	74.0
Total Current Liabilities	4,805.9	5,141.3	7,223.5	9,428.0
Noncurrent Liabilities				
Long-term borrowings	1,000	—	—	—
Loan related to a related party	0.0	0.0	300.0	—
Lease liabilities – non-current	0.0	47.1	33.7	114.4
Deferred income tax liabilities, net	26.7	0.0	0.0	—
Retirement benefit obligations	0.0	0.0	68.0	68.0
Total Liabilities	5,832.6	5,188.4	7,625.3	9,610.5
Equity				
Share capital	7,142.9	7,142.9	7,142.9	7,142.9
Share premium	3,255.2	3,255.2	3,255.2	3,255.2
Reserves ⁽¹⁾	266.5	236.8	187.1	187.1
Retained earnings – appropriated	500.0	500.0	500.0	500.0
Retained earnings – unappropriated	5,400.2	5,977.3	6,681.8	7,405.4
Total Equity	16,564.8	17,112.2	17,767.0	18,490.6
Total Liabilities and Equity	22,397.4	22,300.6	25,392.2	28,101.0

Notes:

(1) These pertain to reserve for re-measurement on retirement benefit and fair value reserve on investments in equity securities at fair value through other comprehensive income (“FVOCI”).

Condensed Consolidated Statements of Cash Flows

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(R in millions)			(R in millions)	
Net cash flows provided by operating activities	4,994.5	4,787.9	2,264.3	320.3	111.3
Net cash flows used in investing activities	(858.1)	(2,131.9)	(2,450.9)	(868.5)	(732.3)
Net cash flows provided by / (used in) financing activities	(5,214.5)	(2,435.0)	344.8	205.0	1,540.3
Effect of foreign exchange rate changes on cash	(1.6)	(6.4)	(11.2)	1.9	1.3
Net increase (decrease) in cash and cash equivalents	(1,079.7)	214.6	147.0	(341.3)	920.6

Selected Pro-Forma Condensed Consolidated Financial Ratios

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
Liquidity ratio ⁽¹⁾	3.05	2.61	2.05	2.20	1.73
Net Debt-to-equity ratio ⁽²⁾	0.10	0.08	0.17	0.12	0.22
Assets-to-equity ratio ⁽³⁾	1.35	1.30	1.43	1.37	1.52
Earnings per share (₱) ⁽⁴⁾	0.45	0.37	0.28	0.07	0.10

Notes:

- (1) Total current assets divided by total current liabilities.
- (2) Total (borrowings – cash) divided by total equity.
- (3) Total assets divided by total equity.
- (4) Net income after tax (attributable to parent company) divided by outstanding shares.

RISK FACTORS

An investment in Bonds involves a number of risks. The price of the Bonds 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. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Bonds. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Bonds. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost.

This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Bonds. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the Bonds and the Company from the Philippine SEC.

The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition, and prospects.

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

RISKS RELATING TO THE COMPANY AND ITS BUSINESSES

Substantially all of the Company's business activities are conducted in the Philippines and all of its assets are located in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of the Philippine economy.

Historically, the Company's businesses have derived substantially all of their revenues and profits from sales of its products in the Philippines and the Company's businesses are highly dependent on the state of the Philippine economy. Demand for, and prevailing prices of the Company's main products, categorized as food and non-food segments, such as food ingredients (including specialty fats and oils); colorants and plastics additives; oleochemicals, resins and powder coatings, and consumer products (formerly referred to as aerosol products), which are materials used in various consumer products sold in the Philippines, are directly or indirectly related to the strength of the Philippine economy and the overall levels of business activity in the Philippines. A majority of the Company's products are used in a range of food and beverage products, household materials, and other consumer goods which are discretionary consumer products, and demand for these products and services tends to decline during economic downturns when consumers' disposable income declines.

At present, the Philippines is still gradually reopening the economy due to the COVID-19 pandemic with the GDP recording a contraction of about 4.2% in the first quarter of 2021. This is coming from the uncertainty and market disruptions resulting to a slowdown in the economy in 2020 as the GDP fell 9.5% in 2020. From a bottom of a 16.9% fall in the second quarter of 2020 year-on-year, contraction moderated to 11.4% in the third quarter of 2020 year-on-year and improved to -8.3% year-on-year in the fourth quarter of 2020. The Philippine economy expanded by 11.8% year-on-year in 2Q 2021, according to the Philippine Statistics Authority (“PSA”).

Anchored on the success of the vaccine program and efforts to further increase economic activities, the government projected a GDP of 6.5%-7.5% in 2021 and 8.0%-10.0% in 2022. The surge in COVID-19 cases in the first quarter of 2021 however, forced the government to re-impose restrictions in March 2021 and as such, will likely slow economic growth to 6.0%-7.0% according to the BSP. On April 11, 2021, the government announced that Metro Manila and certain neighboring provinces would shift to MECQ starting April 12, 2021 until April 30, 2021, which was extended through May 15, 2021. Due to the recent rise of COVID-19 cases in 3Q 2021 brought about by the Delta variant, Metro Manila and other areas in the country has been placed on Enhanced Community Quarantine (“ECQ”) from August 6, 2021 to August 20, 2021, then subsequently relaxed to MECQ from August 21, 2021 until September 7, 2021.

There is still no assurance of significant momentum as the government continues to address the daily COVID-19 cases and to roll out its vaccination program, while at the same time allow more industries to operate.

Other Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- changes in the Government’s taxation policies;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- new variants of COVID-19 and re-emergence of other diseases such as the Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu), Middle East respiratory syndrome coronavirus (commonly known as MERS-CoV) or the emergence of another similar or new disease in the Philippines or in other countries in Southeast Asia such as the Zika virus;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, political or economic developments in or affecting the Philippines.

There is a degree of uncertainty regarding the economic and political situation in the Philippines. This uncertainty could have adverse effects on the Company’s business, financial condition and results of operations. See “Risk Factors – Risks Relating to the Philippines.”

The challenging year and extraordinary conditions in any event demonstrated the highly relevant nature of the Company's businesses, catering to basic industries and its resilience and operational adeptness even in the worst of times. In the final quarter of 2020, the Company managed to surpass pre-COVID performance, with net income growing 8% YoY to ₱637 million, likely representing the inflection point in earnings growth. Net income for the second half of 2020 reached ₱1.2 billion, 51% higher than the first half of 2020, and surpassing the Company's target of ₱1 billion. Recovery continued in the 1st quarter of 2021, with recurring net income growing 35% YoY at ₱695 million, and +9% compared to the 4th quarter of 2020.

Export sales continued to grow in 2020 with an increase of 34% YoY, with export contribution to total revenues at 29% compared to 21% in 2019. Export sales continued its positive momentum in the first quarter of 2021 as it jumped 84% YoY, with export contribution to revenues reaching a record high of 34% (from 31% in the fourth quarter of 2020).

For more information on the Company's efforts to address this risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 70 and "Business Strategies" on page 94 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company's profitability and cash flows could deteriorate materially if it fails to keep up with technological innovation.

The Company's profitability will depend on, among other things, its ability to make process improvements in the manufacturing of its products and its ability to continue to produce customized and specialty products, as well as introduce new products for its customers. As the Company competes with other products and technologies, it is required to be innovative to satisfy its customers' demands.

The Company's product innovation is focused on the ability to adapt and customize its products to meet the changing needs of its customers, as well as improving the technology and efficiency with which it manufactures its products. Some of its competitors may be more capable of advances in product and technology development and anticipating and responding to market trends and developments. Also, some of its competitors, especially global companies operating in its core businesses, may have greater financial resources than the Company and may increase their competitiveness relative to the Company by investing more in process improvements or in research and development activities with respect to its key products, which may negatively impact the Company's business. In addition, since innovation is also fostered by the support of external partners such as research institutions, universities and other independent institutions, competitors operating in markets with stronger or a larger number of clusters of such institutions and industry players may have an advantage over the Company. Moreover, there can be no guarantee that certain of the Company's customers, particularly those involved in the food, plastics and packaging industries which develop rapidly with technological advancements, will be able to respond with consumer products that meet changing market preferences, which may negatively affect their production and correspondingly result in reduced demand for the Company's products.

Product development and engineering requires significant investment. There can be no assurance that the Company's product development and engineering efforts will continue to deliver innovative and competitive products that will translate into sales to customers. If it fails to keep pace with the evolving technological innovations in its markets, this may have a material adverse effect on its business, financial condition, results of operations and cash flows.

D&L remains committed to its focus on innovation especially with the construction of its Batangas expansion facility. This expansion facility will cater to the Company's export businesses in the food and oleochemical segments. It will add the capability to manufacture downstream packaging and will allow the Company to capture a bigger part of the production chain. For instance, while the Company primarily sells raw materials to customers in bulk, the new plants will allow it to "pack at source". This means D&L will have the ability to process the raw materials and package them closer to finished consumer-facing products, enabling the Company to move a step closer to its customers by providing customized solutions and simplifying their supply chain.

The Batangas expansion facility will be instrumental to the Company's future growth as it intends to develop more high-valued coconut-based products and penetrate new international markets, consistent with its long-term plan to further expand its global footprint and target export sales to account for 50% of its total sales.

For more information on the Company's efforts to address this risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 70 and "Business Strategies" on page 94 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company's business may be negatively affected by variances in raw material costs, any inability to retain or replace the Company's key suppliers, unexpected supply shortages or supply chain disruptions.

The Company's margins are largely a function of the relationship between the prices that the Company is able to charge for its products and the costs of the raw materials and other inputs it requires to produce these products. The primary raw materials upon which the Company depends in production of its respective products include vegetable oils, monomers, polymers and other chemicals. The prices of the raw materials that the Company purchases from third party suppliers tend to be cyclical and highly variable, and represent a substantial portion of the Company's operating expenses. The availability and price of these raw materials are influenced by factors that the Company cannot control, such as market conditions, general global economic prospects, production capacity in the markets, production constraints on the part of the Company's suppliers, fluctuations in oil or other commodity prices, infrastructure failures, political conditions, weather conditions, regulations and other factors.

In addition, the raw materials that the Company requires may be unavailable in adequate quantities at commercially reasonable terms in the future. Operational interruptions resulting from supply shortages of certain raw materials can significantly affect the Company's profitability. If any of the Company's suppliers is subject to a major production disruption or is unable to meet its obligations under existing supply agreements, the Company may be forced to pay higher prices to obtain the necessary raw materials and the Company may not be able to increase the prices of its finished products. Furthermore, any late deliveries of strategic raw materials may cause delays in the completion of certain of the Company's products or product components.

The Company's supply arrangements typically provide for market-based pricing. The Company attempts to match key raw material price increases with corresponding product price increases and the majority of the Company's contracts provide for pass-through of cost increases. However, the Company's ability to pass on increases in the cost of raw materials to its

customers is, to a large extent, dependent upon the Company's contractual relationships and market condition. As a result, the Company may not be able to raise product prices immediately or at all, and may not be able to pass on the entire cost increase to its customers. Any inability to pass on increases in raw materials costs to the Company's customers would have a negative effect on its cash flows. In addition, although the Company passes through changes in raw materials pricing to its customers under most of its contracts on a monthly basis, in certain instances the pricing is adjusted on a quarterly basis. The Company's raw materials prices are set monthly, and to the extent the Company's pass-throughs to its customers are adjusted quarterly, the Company's cash flows are subject to certain degree of variability. In addition, some of the Company's customers may from time to time take advantage of fluctuating prices by building inventories when they expect product prices to increase and reducing inventories when they expect product prices to decrease. Any increase in raw material prices that the Company may not be able to pass on to its customers or interruptions in supply could increase pressure on the Company's margins and reduce its cash flows, which could materially adversely affect the Company's business, financial condition and results of operations.

The Company's existing facilities also address periods of volatility in the global market. For example, the tank farm in Sta. Ana, Manila and Mercury Plant have the largest rated capacity in the Philippines and the Company's storage capacity allows it to physically hedge its vegetable oil purchases, making larger purchases when prices decrease, and reducing purchases when prices increase. This allows the Company to competitively price its products and maintain customer satisfaction.

Further, the Company's flat organizational structure helps it to act dynamically and make quick decisions to respond to changes in market conditions. For example, the Company has well-developed a logistics platform that allows it to effectively supervise inventory management at its production facilities.

For more information on the Company's efforts to address this risk, see "Competitive Strengths" on page 91 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company's facilities, which are located primarily in a single area, are subject to operating risks.

The Company's facilities are subject to hazards inherent in manufacturing and related use, storage, transportation and disposal of raw materials, products and wastes, including but not limited to:

- facility leaks and ruptures;
- fires and explosions;
- accidents;
- mechanical failures;
- unplanned production or power outages (including blackouts);
- unpermitted discharges or releases of toxic or hazardous substances or gases;
- other environmental risks; and
- sabotage or terrorist attacks.

These hazards can cause personal injury and loss of life, catastrophic damage to, or destruction of, property and equipment and environmental contamination or other damage, and may result in a suspension of operations and the imposition of civil or criminal penalties. In addition,

except for DLPC's primary production facility and Oleo-Fats' oil refinery and tank farm in Sta. Ana, Manila, all of the Company's manufacturing and production facilities are located in the same general area in Quezon City. As a result, the Company is subject to significant risks associated with companies with facilities located in a single area. For example, if Quezon City experiences floods due to strong rains or unplanned power outages, the Company's facilities may not be able to function, and may have a material adverse effect on the Company's operations. Moreover, the Company's main facilities are located in a residential and commercial area in Quezon City, and any hazards the Company is subject to may affect the residents and other enterprises in the area as well.

Any loss or shutdown over an extended period of any of the Company's major operating facilities as a result of any of the above-mentioned factors could have a material adverse effect on the Company's business, financial condition and results of operations.

As part of its strategy to meet the continued increase in demand for added value products such as specialty foods and a variety of consumer goods, the Company increased capital expenditures for plant expansion. Also, to mitigate risks associated with having the plant facilities in a single location, the Company chose to locate the plant expansion in Batangas.

The Company has an ongoing expansion project in First Industrial Township ("FIT"), Tanauan Batangas. The expansion facility sits on a 26-hectare property in a special economic zone and will house two new plants—one for food ingredients under DLPC and an integrated facility to manufacture oleochemicals and downstream packaging under NAC.

The expansion plan will complement the Company's strong logistic platforms and the strategic location of its existing plants such as food ingredients plant located at Mercury Avenue, Quezon City, refined vegetable oils and fractionated oils processing plant and tank located in Sta. Ana, Manila, and DLPC plastics facility located at the PEZA zone in Canlubang, Laguna along with the FIC plant, Aero-Pack and Chemrez plants, all located in Brgy. Bagumbayan, Quezon City.

For more information on the Company's efforts to address this risk, see "Competitive Strengths" on page 91 "Business Strategies" on page 94 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company is effectively controlled by the Lao Family and their interests may differ significantly from the interests of other shareholders.

Through direct and indirect interests, the Lao Family effectively controls the Company and its subsidiaries. Mr. Dean A. Lao, Jr., Mr. Vincent D. Lao, Mr. Lester A. Lao and Mr. Alvin D. Lao, along with other second-generation members of the Lao Family, serve in various capacities as officers and directors of the boards and officers of D&L Industries and its subsidiaries. These positions allow the Lao Family to control shareholder decisions and exercise significant control over decisions of the Board in D&L Industries and each of its subsidiaries. The interests of the Lao Family may differ significantly from the interests of other shareholders.

The Company has a track record of good corporate governance. From the time of its public listing in December 12, 2012, D&L and its key officers have been recognized by certain award-giving bodies as one of the best in the Philippines and the ASEAN region such as those cited below.

'Finance Asia', a financial publication in the ASEAN region, named D&L as the country's 3rd best mid-cap company in 2014, best mid-cap company in 2015 and 2016, 2nd best mid-cap company in 2018, and best mid-cap in 2019. D&L also ranked as 7th best in the investor relations category.

New York-based Institutional Investor ranked D&L as fourth of only six most honoured companies in ASEAN in its 2019 All-Asia Executive Team survey. The Company was ranked among the top in a list of over 1,600 Asian companies nominated for outstanding corporate leadership and investor relations. The Company's investor relations program was likewise recognized as the best in the country and its ESG and corporate governance initiatives as number 2 in the Philippines.

The Institute of Corporate Directors (ICD) gave D&L 1-golden arrow recognition in 2019 and 2020. ICD evaluates companies in five areas: right of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and responsibilities of the Board.

Six of the seven members of the Board of Directors of the Company are also non-executive officers, with four independent directors. Independent directors also chair several committees of the Board of directors such as audit, corporate governance, related-party transaction, and risk oversight.

For more information on the Company's efforts to address this risk, see "Competitive Strengths" on page 91 "Board and Senior Management" on page 144 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company has significant levels of related party transactions.

A significant part of the businesses undertaken by the Company is conducted by companies owned or controlled by the Lao Family. The operations of certain companies owned and controlled by the Lao Family are interdependent. These related transactions include those described under "Related Party Transactions" and in the notes to the Company's consolidated financial statements appearing elsewhere in this Prospectus. Aggregate amounts due to related parties from the Company amounted to ₱1,453,934,677, ₱241,620,067, and ₱1,177,433,692 for the years ended December 31, 2018, 2019 and 2020, respectively. In addition, the Company expects that in the future, the Lao Family companies may continue to enter into transactions with each other as well as other companies directly or indirectly controlled by or associated with the Lao Family. These transactions may involve conflicts of interest which, although not contrary to law, may be detrimental to the Company.

Aggregate amounts due to related parties is not material and only comprise 0.42% of costs. In all cases, related-party contracts are reviewed by the board of directors, five out of seven members of whom are non-executive officers, with four independent directors. Prior to endorsement to the Board for approval, related-party transactions are reviewed by the related-party transaction committee, chaired and composed of independent directors. Independent directors also chair other committees of the Board of directors such as audit, corporate governance, and risk oversight.

The Company has a track record of good corporate governance, with five decades of operating history in the Philippines. It continues to service some of the largest Philippine and multinational corporations. The customer's continued trust in and strong relationship with the

Company have been key drivers of its growth over the past years, allowing it to steadily increase the products sold to long-standing customers and retain the loyalty of such key customers.

For more information on the Company's efforts to address this risk, see "Competitive Strengths" on page 91 and "Related Party Transaction" on page 157 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company is highly dependent on certain directors, members of management and key employees.

The Company's directors and members of its senior management have been an integral part of its success and the success of its subsidiaries, and the experience, knowledge, business relationships and expertise that would be lost should any such persons depart could be difficult to replace and may result in a decrease in the Company's operating efficiency and financial performance. Members of the Lao Family, such as Mr. Dean L. Lao, Mr. Leon L. Lao, and Mr. Alex L. Lao are members of the advisory board of the Company while Mr. Yin Yong L. Lao and Mr. John L. Lao are board members and serves as the Chairman and Vice-Chairman, respectively. Members of the second-generation members of the Lao Family also serve as director and officers of the Company such as Mr. Alvin D. Lao as the Director and President & Chief Executive Officer, Mr. Franco Diego Lao as Chief Financial Officer, Ms. Ainslee Lao as Assistant Corporate Secretary, Mr. Dean A. Lao, Jr. as Managing Director of Chemrez, Mr. Lester A. Lao as Managing Director of FIC and DLPC, and Mr. Vincent D. Lao as Managing Director of Oleo-Fats,

These members of the Lao family have all served in various executive and Board positions over the Company's history. If the Company loses the services of any such person and is unable to fill any vacant key executive or management positions with qualified candidates, the Company's business and results of operations may be adversely affected.

Moreover, the Company's success depends in significant part upon the continued service and successful recruitment of key members of its research and development teams responsible for introducing new customized products and making process improvements in the Company's product manufacturing. The loss of one or more of key members of the Company's personnel or the failure to attract and retain additional key personnel, could have a material adverse impact on the Company's business, financial condition, results of operations and cash flow.

For more information on the Company's efforts to address this risk, see "Competitive Strengths" on page 91, "Board and Senior Management" on page 157, and "Employees" on page 117 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company may be unable to successfully implement its business and other strategies.

The Company's future financial performance and success largely depend on the Company's ability to implement its business strategies successfully. There can be no assurance that the Company will successfully implement the business strategies described in this Prospectus or those to be developed by its management or that implementing these strategies will sustain or improve and not harm its results of operations in targeted sectors. The Company's business strategies are based on assumptions about future demand for its current products and the new products and applications it is developing, as well as on its continuing ability to produce its products profitably. The Company's ability to implement its business strategies depends on, among other things, its ability to finance its operations and product development activities,

maintain high quality and efficient manufacturing operations, relocate and close certain manufacturing facilities with minimal disruption to its operations, respond to competitive and regulatory changes, access quality raw materials in a cost-effective and timely manner, and retain and attract highly-skilled technical, managerial, marketing and finance personnel. Any failure to develop, revise or implement its business strategies in a timely and effective manner could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Company has adopted a flat organizational structure that allows it to act dynamically and make quick decisions to respond to changes in market conditions.

The Company has nearly five decades of operating history in the Philippines, offering high quality products and services which have established it as a leader in its businesses, and has resulted in a customer base comprising some of the largest Philippine and multinational corporations.

More importantly, the Company has fostered long-standing and collaborative relationships with most of its major customers, some of whom the Company has served for nearly 50 years. Due mainly to its proven track record, the Company's key customers have shown a willingness to commit time and resources to collaborate with the Company on product development and operational improvements. As a result, the Company often works in tandem with its major customers to identify issues in their respective businesses, and then formulate and develop new products or product solutions to address these concerns.

The Company believes that these strong relationships have been a key driver of its growth over the past years, allowing it to steadily increase the products sold to long-standing customers, as well as presenting numerous cross-selling opportunities across its product portfolio to such customers. In addition, the Company believes its strong relationships help it retain the loyalty of such key customers, which is difficult to replicate, presenting a significant barrier to entry against potential competitors.

For more information on the Company's efforts to address this risk, see "Competitive Strengths" on page 91 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company's business and operations are subject to business interruption risks due to the actions of third parties.

Due to the nature of its business, the Company is at risk of business interruption due to the actions of third parties. For example, many of its suppliers and major customers have operations that are also subject to environmental and health and safety risks associated with their production processes and operations. Any future incidents affecting the Company's suppliers and customers may result in significant regulatory actions, fines and other penalties, including restrictions, prohibitions or sanctions on their operations, and could impair their ability to perform their contracts with the Company or could otherwise subject the Company to liability, all of which could have a material adverse effect on its business, reputation, financial condition and results of operations. In addition, if any of the Company's facilities experience damage due to any number of hazards caused by third parties, the Company's operations may be adversely affected.

There are no present proceedings with respect to this risk, see "Legal Proceedings" on page 120 of this Prospectus.

The Company's primary businesses are in very competitive industries, which could limit the Company's ability to maintain or increase its market share and maintain profitability.

Each of the Company's primary business segments is subject to considerable competition. In all of the industries where it operates, the Company competes against regional, multinational and Philippine manufacturers. In certain of its industries, the Company competes against suppliers and customers of its products. Some existing or potential competitors may have substantially greater financial and other resources than the Company, which may allow them to undertake more aggressive marketing activities and to react more quickly and effectively to changes in the markets and in consumer preferences.

Any increase in the level of competition within any of the Company's business segments could adversely affect the Company's business, financial condition and results of operations.

For more information on the Company's efforts to address this risk, see "Competitive Strengths" on page 91 and "Business Strategies" on page 94 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company may be adversely affected by its continued compliance with and any changes in, safety, health and environmental laws and regulations.

The operations of the Company's businesses are subject to a broad range of safety, health and environmental laws and regulations. These laws and regulations impose controls on chemical, air and water discharges, on the storage, handling, discharge and disposal of waste, as well as other aspects of the operations of each of the Company's businesses. The Company has incurred, and the Company expects that it will continue to incur, operating costs to comply with such laws and regulations. In addition, the Company has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. The discharge of hazardous substances or other pollutants into the air, soil or water and the production of primary ingredients used in the sale of food and beverages that do not comply with relevant health regulations may cause the Company to be liable to third parties, the Government or to the local government units with jurisdiction over the areas where the Company's facilities are located. The Company may be required to incur costs to remedy the damage caused by such action or pay fines or other penalties for non-compliance.

In addition, many of the Company's sites and facilities have a history of industrial chemical processing, storage and related activities, and may currently be subject to engineering or institutional controls or restrictions or may become subject to such controls or restrictions in the future. The Company may be required to investigate and remediate contamination at or migrating from these sites and facilities, as well as properties the Company formerly owned, leased or operated.

Safety, health and environmental laws and regulations in the Philippines have been increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations. Furthermore, if the measures implemented by the Company to comply with these new laws and regulations are not deemed sufficient by the

Government, compliance costs may significantly exceed current estimates. If the Company fails to meet safety, health and environmental requirements, it may also be subject to administrative, civil and criminal proceedings initiated by the Government, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations.

The Company cannot predict what safety, health and environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. There can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's businesses could have a material adverse effect on the Company, its financial condition and results of operations. See "Regulatory and Environmental Matters" on page 128 of this Prospectus.

The Company, as part of the regular due diligence in the conduct of its business, has always closely monitored developments in local and national laws in order for it to adapt and sufficiently address any change or the passage of new laws. At present, there is no pending case against D&L and its subsidiaries that concerns compliance with safety, health, and environmental regulations.

The Company's business could be adversely affected by regulation of its products.

The Company uses and manufactures certain hazardous chemicals, food ingredients used in making a range of consumer food products, as well as other products, all of which are subject to regulation by many national, provincial and local governmental authorities. In order to obtain regulatory approval of certain new products and production processes, the Company must, among other things, demonstrate to the relevant authorities that the product is safe for its intended uses and that it is capable of manufacturing the product in accordance with applicable regulations. The process of seeking approvals can be time consuming and subject to unanticipated and significant delays. Approvals may not be granted to it on a timely basis, or at all. Any delay in obtaining, or any failure to obtain or maintain, these approvals would adversely affect its ability to introduce new products and to generate revenue from those products. In addition, some of these licenses and permits are subject to periodic renewal. Failure to obtain or maintain any of these permits and licenses could have a material adverse effect on its business and prospects. New laws and regulations may be introduced in the future that could result in additional compliance costs, seizures, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of its products.

The Company as part of its regular due diligence in the conduct of its business closely monitors and analyses, as it has done throughout the years, change in regulation of its products.

D&L Industries has limited operations of its own and is dependent on the payment of management fees and dividends by its subsidiaries and associate companies for revenue.

As it is principally a holding company with limited operations of its own, D&L Industries will depend, to a significant extent, upon the receipt of management fees and dividends from its subsidiaries and associate companies to meet its overhead expenses and to make dividend

payments to shareholders. The ability of D&L Industries' subsidiaries and associate companies to pay dividends to their shareholders (including D&L Industries) is subject to their respective performance and cash flow requirements, and to Applicable Law and restrictions contained in any debt instruments of such subsidiaries, associate companies and joint venture partnerships, if any. No assurance can be given that D&L Industries will have sufficient cash flow from dividends to satisfy its obligations, or that its subsidiaries and associate companies will pay dividends at all. Moreover, further issues of equity interests by subsidiaries and associate companies of D&L Industries could dilute its interest in such entities.

For more information on the Company's efforts to address this risk, see "Management's Discussion and Analysis" on page 70 and "Dividends and Dividend History" on page 66 of this Prospectus. There can be no assurance that these efforts will be successful.

RISKS RELATING TO THE PHILIPPINES

The Company is exposed to business, political, operational, financial, and economic risks in the Philippines.

At present, the Philippines is still gradually reopening the economy due to the COVID-19 pandemic with the GDP recording a contraction of about 4.2% in 1Q 2021. This is coming from the uncertainty and market disruptions resulting to a slowdown in the economy in 2020 as the GDP fell 9.5% in 2020. From a bottom of a 16.9% fall in the 2Q 2020 year-on-year, contraction moderated to 11.4% in the 3Q 2020 year-on-year and improved to -8.3% year-on-year in the 4Q 2020. The Philippine economy expanded by 11.8% year-on-year in 2Q 2021, according to the PSA.

Anchored on the success of the vaccine program and efforts to further increase economic activities, the government early this year projected a GDP of 6.5%-7.5% in 2021 and 8.0%-10.0% in 2022. The surge in COVID-19 cases in the first quarter of 2021 however, forced the government to re-impose restrictions in March 2021 and as such, will likely slow economic growth to 6.0%-7.0% according to the BSP. On April 11, 2021, the Government announced that Metro Manila and certain neighbouring provinces would shift to MECQ starting April 12, 2021 until April 30, 2021, which was extended through May 15, 2021. Due to the recent rise of COVID-19 cases, particularly, the delta variant, Metro Manila and other areas in the country has been placed on ECQ from August 6, 2021 to August 20, 2021, then subsequently relaxed to MECQ from August 21, 2021 until September 7, 2021.

Household spending, a key economic driver, contracted to 5.7% in 2020 due to unemployment. Purchasing power will be further affected by inflation, which clocked in at 4.0% for the month of July 2021. The BSP targets an inflation band of 2-4% for 2021. According to the PSA, the unemployment rate in June 2021 remained the same as the 7.7% reported the month prior. This is lower than the unemployment rates in April (8.7%), February (8.8%), and January (8.7%) of the same year, but higher than the 7.1% reported in March 2021.

There is still no assurance of significant momentum as the government continues to address the daily COVID-19 cases and to roll out its vaccination program, while at the same time allow more industries to operate.

Other factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing, or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services;
- the sovereign credit ratings of the country;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- an increase in unemployment levels or decrease in consumer confidence;
- a decrease in remittances from overseas Filipino workers;
- changes in the relevant government's taxation policies;
- natural disasters, including typhoons, earthquakes, fires, floods, and similar events;
- new variants of COVID-19 and re-emergence of other diseases such as the Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu), Middle East respiratory syndrome coronavirus (commonly known as MERS-CoV) or the emergence of another similar or new disease in the Philippines or in other countries in Southeast Asia such as the Zika virus;
- political instability, terrorism, or military conflict in the Philippines, other countries in the region or globally; and,
- other regulatory, political, or economic developments in or affecting the Company

Any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products and services. The sovereign credit ratings of the Philippines also directly affect companies that are residents in the Philippines. The Philippines enjoys investment grade credit ratings from the following major agencies: i) Fitch Ratings – BBB (negative), which affirmed the rating but revised the outlook from “stable” to “negative” on July 12, 2021; ii) Standard & Poor's – BBB+, which was granted April 2018 and affirmed last May 2021; and iii) Moody's Investors Service – Baa2 (stable), which was affirmed in July 2021. In its latest research note, Moody's downgraded its GDP projection for the country to 5.8% from 7% in January stating the degree and pace of recovery are subject to uncertainties related to the COVID-19 pandemic and as well as the vaccination roll out.

The above factors and uncertainties, or others of which the Company is not currently aware of, may result in adverse impacts to the Company's businesses, results of operations, cash flows, and financial condition.

To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Prospectus.

Changes in law including unexpected changes in regulatory requirements, affect the Company's business plans.

Increases in duties and taxation and a potential reversal of current tax or other currently favorable policies encouraging foreign investment or foreign trade by host countries may lead to the imposition of government controls, changes in tariffs, or trade restrictions on imported products.

Actions which may be taken by foreign governments pursuant to any trade restrictions, such as “most favored nation” status and trade preferences, as well as potential foreign exchange and

repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions may adversely affect the Company's business and financial condition.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the government has instituted restrictions on the ability of foreign companies to use foreign exchange revenues or to convert Philippine pesos into foreign currencies to satisfy foreign currency-denominated obligations, and no assurance can be given that the government will not institute such or other restrictive exchange policies in the future.

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

The Philippines has from time to time experienced political and military instability. The May 2016 elections paved the way for the new administration of President Rodrigo R. Duterte and presidential elections are again scheduled in May 2022. Leadership change and shifting political alliances could alter national and local political dynamics and result in changes of policies and priorities. In addition, organized armed threats from communist insurgents and Muslim separatists persist in certain parts of the country. Any of these political risks could materially and adversely affect the Company's business, financial condition and results of operations.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on the Company's business and financial condition.

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

The Government and the Armed Forces of the Philippines ("AFP") have clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front ("MILF"), the Moro National Liberation Front ("MNLF") and the New People's Army ("NPA"). On October 19, 2011, 19 AFP troops were killed in a firefight with MILF members in the southern Philippines. On December 16, 2011, five AFP soldiers were killed in a clash with NPA members. In September 2013, MNLF members seized hostages in Zamboanga City, leading to a standoff and clashes with AFP troops. More than 50 people have been killed since these clashes began. 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 Abdir and other Malaysian terrorists and/or high-ranking members of the Bangsamoro Islamic Freedom Fighters and the MILF. On 23 May 2017, Philippine government forces clashed with ISIS, with the Maute group and the Abu Sayyaf group, in Marawi City. ISIS-militants took control of Marawi City, targeted civilian, mostly

Christians and carried out extrajudicial killings with dozens of people killed and widespread destruction of homes and property, prompting President Rodrigo Duterte to impose martial law and suspend the writ of habeas corpus on the entire island of Mindanao. The battle lasted for five months. These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

There have also been a number of violent crimes in the Philippines, including the September 2, 2016 night market bombing in Davao City, killing at least 14 and injuring more than 60 people. Moreover, since the beginning of President Duterte's term as President, more than 1,000 alleged drug users and dealers have been killed in police operations, and more than 1,300 drug users and dealers have been killed by alleged vigilantes. High-profile violent crimes have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy.

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

The Philippines has experienced a number of major natural catastrophes including typhoons, droughts, floods, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and in November, 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction, devastation, and casualties of unprecedented levels in Tacloban City, certain parts of Samar, and certain parts of Cebu. After 42 years, Taal Volcano erupted again in January 2020, affecting thousands of displaced families and causing billions-worth of damage to the province of Batangas City. There can be no assurance that the occurrence of such catastrophes will not materially disrupt the Company's operations. The Company could experience substantial property loss as a result of any such catastrophe and might not be able to rebuild or restore operations in a timely fashion. The Company's property insurance may not cover all cases of loss of material property. Any such accident could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS RELATING TO THE BONDS

Liquidity Risk

The Philippine debt securities markets, particularly the market for corporate debt securities are substantially smaller, less liquid and more concentrated than other securities markets. The Company cannot guarantee whether an active trading market for the Bonds will develop or if the liquidity of Bonds will be sustained throughout its life. Even if the Bonds are listed on the PDEX, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets, adverse business developments in the Company and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

The market price of the Bonds will be subject to market and interest rate fluctuations, which may result in the investment being appreciated or reduced in value. The Bonds when sold in the secondary market will be worth more if interest rates decrease since the Bonds will have a higher interest rate, relative to similar debt instruments being offered in the market, further increasing demand for Bonds. However, if interest rates increase, the Bonds might be worth less when sold in the secondary market. Thus, a Bondholder could face possible losses if he decides to sell in the secondary market.

Reinvestment Risk

Prior to the relevant Maturity Dates, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any outstanding Series B Bonds on the relevant Optional Redemption Dates or the outstanding Bonds by reason of increased taxes or change and Change in Law or Circumstances (see “Description of the Bonds –Redemption and Purchase” under “Optional Early Redemption”, “Early Redemption for Taxation Reasons”, and “Early Redemption by Reason of Change in Law or Circumstance”). In the event that the Company exercises this early redemption option, all or the relevant Bonds will be redeemed, and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

Retention of Ratings Risk

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a commendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Bonds have no Preference under Article 2244(14)(a) of the Civil Code

No other loan or other debt facility currently or to be entered into by D&L is or should be notarized, such that no other loan or debt facility to which the Company is a party shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14)(a) of the Civil Code of the Philippines, and the Company is required to ensure that all banks and lenders under any such loans or facilities have waived the right to the benefit of any such preference or priority as a result of notarization. Should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then D&L shall at its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

RISKS RELATING TO THE PRESENTATION OF INFORMATION IN THIS PROSPECTUS

Certain statistical information and forecasts in this Prospectus relating to the Philippine food ingredients, colorants and plastic additives, oleochemicals, resins and powder coatings, and consumer products industries and other data used in this Prospectus were obtained or derived from third parties, internal surveys, market research, governmental data, 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, third party information, internal surveys, industry forecasts and market research have not been

independently verified by the Company and may not be accurate, complete, up-to-date, balanced or consistent with other information compiled within or outside the Philippines.

USE OF PROCEEDS

D&L Industries estimates that the net proceeds from the ₱3.0 billion offer shall amount to approximately ₱2.96 billion after fees, commissions and expenses. Assuming the oversubscription option is fully exercised, the net proceeds from the Offer shall amount to approximately ₱ 4.93 billion after deducting fees, commissions and expenses.

Net proceeds are estimated to be as follows:

	Total (₱)
<i>Estimated proceeds from the sale of the Bonds</i>	<i>3,000,000,000.00</i>
<i>Less:</i>	
<i>SEC Registration fee and Legal Research Fee</i>	<i>1,325,625.00</i>
<i>Underwriting Fee</i>	<i>11,052,000.00</i>
<i>Documentary Stamp Taxes</i>	<i>22,500,000.00</i>
<i>Trustee's Fee</i>	<i>450,000.00</i>
<i>Legal Counsels' Fee</i>	<i>2,700,000.00</i>
<i>Audit Fee</i>	<i>1,250,000.00</i>
<i>Rating Agency Fee</i>	<i>2,745,120.00</i>
<i>Registrar and Paying Agent Fee</i>	<i>450,000.00</i>
<i>Listing Fee</i>	<i>150,000.00</i>
<i>Marketing /Printing/Photocopying Costs and out-of-pocket expenses</i>	<i>1,000,000.00</i>
<i>Total Estimated Upfront Expenses</i>	<i>43,622,745.00</i>
<i>Estimated net proceeds to D&L</i>	<i>2,956,377,255.00</i>

Assuming the Oversubscription Option is fully exercised:

	Total (₱)
<i>Estimated proceeds from the sale of the Bonds</i>	<i>5,000,000,000.00</i>
<i>Less:</i>	
<i>SEC Registration fee and Legal Research Fee</i>	<i>1,830,625.00</i>

<i>Underwriting Fee</i>	<i>18,420,000.00</i>
<i>Documentary Stamp Taxes</i>	<i>37,500,000.00</i>
<i>Trustee's Fee</i>	<i>450,000.00</i>
<i>Legal Counsels' Fee</i>	<i>2,700,000.00</i>
<i>Audit Fee</i>	<i>1,250,000.00</i>
<i>Rating Agency Fee</i>	<i>3,136,000.00</i>
<i>Registrar and Paying Agent Fee</i>	<i>450,000.00</i>
<i>Listing Fee</i>	<i>150,000.00</i>
<i>Marketing/Printing/Photocopying Costs and out- of-pocket expenses</i>	<i>1,000,000.00</i>
<i>Total Estimated Upfront Expenses</i>	<i>66,886,625.00</i>
<i>Estimated net proceeds to D&L</i>	<i>4,933,113,375.00</i>

Aside from the foregoing one-time costs, D&L Industries expects the following annual expenses related to the Bonds:

1. The Issuer will be charged by the PDEX for the first annual maintenance fee in advance upon approval of the listing and thereafter, the Issuer will pay PDEX an annual maintenance listing fee amounting to ₱150,000 (VAT exclusive) per annum;
2. The Issuer will pay an annual retainer fee to the Trustee amounting to ₱450,000;
3. The Issuer will pay an annual fee of ₱450,000 to PDTC as paying agent; and
4. The Issuer will pay an annual monitoring fee of ₱450,000 (VAT-exclusive) to PhilRatings.

The net proceeds from the Offer shall be used primarily by D&L to (i) partially financing capital expenditures, particularly the completion of the Batangas expansion plant; and (ii) partially repay of bridge loans and its interest costs drawn by the Company to fund capital expenditures. Any excess amounts will be used for general corporate purposes.

Project Financing Update (Figures in Millions PHP as of date of Prospectus)

Subsidiary	Total Cost	Current Expenditures	Outstanding	% Completion	Amount Borrowed from Banks
DLPF	4,867	2,931	1,936	60%	2,000
NAC	3,008	1,597	1,411	53%	1,150
TOTAL	7,875	4,528	3,347	57%	3,150

List of Bridge Loans

LENDER	BORROWER	PRINCIPAL	CURRENT INTEREST RATE	TERM (DAYS)
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HSBC	DLPF	200,000,000	2.00%	90
HSBC	DLPF	400,000,000	2.00%	90
BPI	DLPF	300,000,000	2.00%	59
HSBC	DLPF	200,000,000	1.90%	91
BPI	DLPF	400,000,000	2.375%	60
HSBC	DLPF	200,000,000	1.90%	90
HSBC	DLPF	300,000,000	1.90%	91
HSBC	NAC	350,000,000	1.95%	119
SBC	NAC	200,000,000	2.00%	90
BPI	NAC	400,000,000	2.50%	60
HSBC	NAC	200,000,000	1.90%	90

The principal amounts of the above-listed loans remain outstanding as of date of this Prospectus.

Purpose	₱2.96 Billion Net Proceeds from the Offer, assuming the Oversubscription Option is not exercised (In ₱ Billions)	₱4.93 Billion Net Proceeds from the Offer, assuming full exercise of the Oversubscription Option (In ₱ Billions)	Estimated Timing of Disbursement
Financing remaining capital expenditures	1.48	2.47	4 th Quarter of 2021
Repayment of bridge loans and interest drawn by the Company to fund capital expenditures	1.48	2.47	Upon receipt of proceeds
Total	2.96	4.93	

DLPF and NAC are the subsidiaries undertaking the Batangas expansion project, which will cater to the export business in the food and oleochemicals segment. DLPF will manufacture specialty fats and oils, culinary and other specialty food ingredients for the export market, while NAC will engage in oleochemicals manufacturing and downstream packaging also for the export market. Both subsidiaries are registered with PEZA. The Company eyes partial start of

commercial operations of the Batangas expansion project by May 2022 and full commercial operations by January 2023. The Company intends to downstream the proceeds from the Offer to the said subsidiaries primarily in the form of advances or loans.

Proceeds from the Offer will be primarily used towards financing the remaining capital expenditure for the Batangas expansion project and the payment of some or all of the bridge loans. To note, capital expenditures related to the Batangas expansion project has been ongoing since the past year. Prior to the Offer, the Company funded the project costs through bridge financing of short term loans from its partner banks. D&L intends to repay these bridge loans from the proceeds of the Offer. D&L reserves the right to realign the use of proceeds between these two purposes as may be necessary. If for any reason, a part of the proceeds remains unused after application toward these purposes, the same shall be used for general corporate purposes.

Except for the underwriting fees and expenses related to the Bonds, no amount of the proceeds will be utilized to pay any outstanding financial obligations to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Please see the section on *“Plan of Distribution”*.

Pending the above use of proceeds, the Company may invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placement which are expected to earn at prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds. No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's development plan, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans.

In the event of any deviation or adjustment in the planned use of proceeds, the company shall inform its shareholders, the SEC and the PSE in writing at least 30 days before such deviation or adjustments is implemented. Any material or substantial adjustment to the use of proceeds, as indicated above, should be approved by the company's Board of Directors and disclosed to the PSE. In addition, the company shall submit via the PSE's Online Disclosure System the following disclosure to ensure transparency in the use of proceeds:

- (a) Any disbursement made in connection with the planned use of proceeds from the Offer;
- (b) Quarterly Progress Report on the application of the proceeds from the Offer or on before the first 15 days of the following quarter;
- (c) Annual Summary of the application of proceeds on or before January 31 of the year following the initial public offering; and

(d) Certification of an external auditor on the accuracy of the information reported by the Company to the exchange in the quarterly and annual reports.

DETERMINATION OF OFFER PRICE

The Bonds shall be issued on a fully paid basis and at an issue price that is at par.

DIVIDENDS AND DIVIDEND POLICY

The Company is authorized under Philippine laws to declare dividends to all stockholders on the basis of outstanding stock held by them, subject to certain requirements. These requirements include, for example, that the Board has authorized the declaration of dividends and that such declaration shall only be from its distributable retained earnings, calculated based on existing regulations. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board shall determine. A cash or property dividend declaration does not require any further approval from shareholders. On the other hand, the declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Board may not declare dividends which will impair its capital.

The Company had previously adopted a dividend policy of declaring at least 25% of its prior year's consolidated net income as a dividend in favor of its stockholders of record date to be determined by the Board, to be paid from the Company's available unrestricted retained earnings. Effective 2016, the dividend policy was increased to 50% of the company's prior year's consolidated net income. This dividend shall be payable in cash, stock or property, or a combination of the three, as may be determined by the Board and subject to Applicable Law. The dividend payout rate is based on recommendation by the Board and is subject to periodic review and revision, which depends on the Company's operating expenses, implementation of business plans, working capital requirements, cash flow position and capital expenditure requirements, among other factors. The Company's Board of Directors may change the dividend policy at any time, as well as declare special dividends on top of the 50% commitment. If performance of the obligations to the Bondholders will affect the aforementioned factors and the capacity of the Company to pay dividends, then the Board may review the dividend policy.

<i>Declaration date</i>	<i>Payment Date</i>	<i>Dividend rate per share (₱)</i>	<i>Amount (₱)</i>	<i>Type</i>
<i>June 07, 2021</i>	<i>July 15, 2021</i>	<i>0.191</i>	<i>1,364,285,876</i>	<i>Cash</i>
<i>September 18, 2020</i>	<i>October 28, 2020</i>	<i>0.183</i>	<i>1,307,143,012</i>	<i>Cash</i>
<i>June 11, 2019</i>	<i>July 22, 2019</i>	<i>0.286</i>	<i>2,042,857,385</i>	<i>Cash</i>
<i>June 04, 2018</i>	<i>July 09, 2018</i>	<i>0.260</i>	<i>1,857,143,077</i>	<i>Cash</i>
<i>July 13, 2017</i>	<i>August 10, 2017</i>	<i>0.235</i>	<i>1,678,571,628</i>	<i>Cash</i>
<i>June 06, 2016</i>	<i>July 08, 2016</i>	<i>0.20</i>	<i>1,428,571,598</i>	<i>Cash</i>
<i>June 08, 2015</i>	<i>July 08, 2015</i>	<i>0.15</i>	<i>535,714,350</i>	<i>Cash</i>
<i>May 11, 2015</i>	<i>September 17, 2015</i>	<i>1.00</i>	<i>3,571,428,995</i>	<i>Stock</i>
<i>June 02, 2014</i>	<i>June 30, 2014</i>	<i>0.20</i>	<i>714,285,799</i>	<i>Cash</i>
<i>June 24, 2013</i>	<i>August 19, 2013</i>	<i>0.15</i>	<i>535,714,350</i>	<i>Cash</i>
<i>August 28, 2012</i>	<i>September 06, 2012</i>	<i>0.85</i>	<i>863,434,640</i>	<i>Cash</i>

It is noted that the Company's subsidiaries do not have a formal dividend policy in place. However, given that the Company has full control of the subsidiaries, the subsidiaries have been able to regularly declare dividends to the Company, which in turn, enabled the Company to consistently comply with the applicable dividend policy since 2012.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's consolidated liabilities, equity and capitalization as of March 31, 2021.

The table should be read in conjunction with the Company's consolidated financial statements and the notes thereto, included in this Prospectus beginning on page F-1. Other than as described below, there has been no material change in the Company's capitalization since March 31, 2021.

₪ in millions

	<u>As of March 31, 2021 (Unaudited)</u>	<u>As Adjusted for maximum Offer Size of ₪5.0 billion (Upon issuance of the Bonds)</u>
Indebtedness		
Short-term borrowings	7,050.0	7,050.0
Long-term borrowings ⁽¹⁾	—	5,000.0
Other liabilities ⁽²⁾	2,221.6	2,221.6
Total indebtedness	<u>9,271.6</u>	<u>14,271.6</u>
Equity		
Share capital	7,142.9	7,142.9
Additional paid in capital	3,255.2	3,255.2
Remeasurement gain on retirement benefit	76.3	76.3
Fair value reserve on investments in equity securities at FVOCI	110.8	110.8
Retained earnings		
Appropriated	500.0	500.0
Unappropriated	7,405.4	7,405.4
Total equity	<u>18,490.6</u>	<u>18,490.6</u>
Total capitalization	<u>27,762.2</u>	<u>32,762.2</u>

Notes:

(1) Long-term borrowings pertain to the issuance of the Bonds amounting to its maximum offer size (assuming full exercise of the Oversubscription Option) of ₪5.0 billion.

(2) Other liabilities are computed as the total liabilities after deducting the borrowings, lease liabilities and retirement benefit obligation.

MARKET INFORMATION

The Company's common shares are traded on the First Board of the Philippine Stock Exchange. The common shares were listed on December 12, 2012. The following table shows the high and low closing prices of the Company's shares in the Philippines Stock Exchange for each quarter within the last two fiscal years and for the first and second quarters of 2021:

In Pesos	2021		2020		2019	
	High	Low	High	Low	High	Low
First Quarter	7.89	6.63	9.60	3.97	11.90	10.96
Second Quarter	8.43	7.07	5.91	4.38	11.70	9.96
Third Quarter			5.80	4.50	10.54	8.79
Fourth Quarter			7.70	5.15	9.60	8.26

Source: Bloomberg

The market capitalization of the Company's common shares as of August 26, 2021, based on the closing price of ₱8.25 per share was ₱58,928,925,000.

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

OVERVIEW

D&L is the holding company for a group of companies with interests in the customization, development and manufacturing of food ingredients, colorants, additives, engineered polymers, aerosol products, oleochemicals, resins, and powder coating. It also renders management and other services to subsidiaries and affiliate companies. It was listed on the Philippine Stock Exchange (PSE) on December 12, 2012.

The company derives the majority of its income from subsidiaries engaged in four principal business lines, as set out below:

- *Food ingredients* – The Company, through its subsidiary OFI and soon through DLPF, manufactures a line of bulk and specialty fats and oils, culinary and other specialty food ingredients. The Company manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines. The company also manufactures food safety solutions such as cleaning and sanitation agents for various customers;
- *Oleochemicals, resins and powder coatings* – The Company, through Chemrez, and its subsidiary CPSI. and soon through NAC, focus on developing, manufacturing, and supplying the highest quality of resins, oleochemicals, and specialty products that are effective and cost-efficient, without sacrificing ethical standards. Under this segment, the company manufactures CME, also known as coco-biodiesel, using the Philippines' first continuous-process methyl ester plant. The company also manufactures other higher value oleochemicals (chemicals derived from vegetables) that are used as sustainable alternative raw materials for many personal and home care products. Lastly, under this segment, the company also manufactures resins such as polystyrene, acrylic emulsions, polyester, and a line of powder coatings;
- *Colorants and plastics additives* – The Company, through its subsidiaries First in Colours, Inc. (FIC) and D&L Polymer and Colours, Inc. (DLPC), develops and manufactures innovative plastic solutions that make plastics aesthetically appealing, functional, and sustainable. The group's products are mainly classified as plastic colorants, additive masterbatches, and engineered polymers. Plastic colorants give plastics precise coloring and special effects mainly used for brand and product identification. Additive masterbatches add functional features to plastics such as higher processability, antimicrobial properties, and anti-static properties. Meanwhile, engineered polymers are plastic compounds that have improved mechanical and thermal properties that make them ideal for films, bottles, furniture, appliances, electronic and automotive parts, etc. Lastly, the group offers sustainable options such as compostable plastics, biodegradable plastics, bio-based plastics, recycled compounds, and upcycled materials;
- *Consumer Products ODM* – The Company, through its subsidiary Aero-Pack and soon through NAC, is the first and only company in the Philippines to design and develop customized aerosol products focusing on personal care, home care, and maintenance chemicals. The company also manufactures, on a toll manufacturing basis, non-aerosol products such as insecticides, liquid and gel disinfectants, cleaners, polishers, and liquid soaps.

For the year ended December 31, 2020, the Company's consolidated revenues amounted to ₱21.7 billion and consolidated net income amounted to ₱2 billion, representing a 23% YoY decline in earnings mainly due to the disruptions brought about by the COVID-19 pandemic. Earnings before interest and taxes amounted to ₱2.7 billion, lower by 23% YoY.

For the first three months of the year, the Company posted an encouraging recovery with recurring earnings growing 35% YoY and 9% QoQ to ₱695 million. Including a one-time gain of ₱29 million related to the retroactive implementation of CREATE Act for the year 2020, total net income for the quarter stood at ₱724 million, up 41% YoY. All of the company's business segments posted positive YoY growth. The recovery was mainly driven by people and businesses gradually adapting to the new normal. With more than a year into the pandemic, D&L, as well as many of its customers, has found new ways to continuously operate despite various mobility restrictions. This is true, not just for the chemicals segment but also for the food ingredients space wherein many food companies are now better-equipped to service customers on a 100% takeout or delivery basis.

FACTORS AFFECTING THE COMPANY'S RESULTS OF OPERATIONS

Philippine macroeconomic conditions and trends

Since the Company's customers are predominantly located in the Philippines, comprising leading Philippine manufacturers, consumer goods companies and retailers, the Company's operations have been substantially affected, and the Company expects that it will continue to be affected by Philippine macroeconomic conditions. Demand for, and prevailing prices of, food, personal care, and other consumer products are directly related to the strength of the Philippine economy, including overall growth levels and the amount of business activity in the Philippines.

Some of the end-use products, such as automobiles, appliances and furniture, which are made using the Company's products are discretionary consumer products, and demand for these products tends to decline during economic downturns when consumers' disposable income declines. With the sale of other consumer staples such as fast food and snack food products, for which demand tends to remain constant, a certain percentage of the Company's major products may be less affected by periods of economic downturn. Overall, however, any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a contraction in demand for the Company's products.

The Covid-19 pandemic affected the Company's operations in 2020, resulting in general declines in market demand and consequent lower profits across the Company's businesses. Despite this, the Company recorded generally stable financial results due to the necessity of the industries it deals in.

Supply and Prices of Raw Materials

The Company depends on raw materials sourced from third parties to produce a majority of its products. For example, production of the Company's fats products requires various types of oils, which are sourced primarily from the Philippines, although some of the Company's requirements are sourced from Europe and elsewhere in the Southeast Asian region. The Company also entirely imports its requirements of petroleum products from abroad. These and other raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, weather conditions and governmental controls. The

prices of these commodities to the Company are also affected by the Philippine peso's relative strength against other currencies, primarily the U.S. dollar and the Euro. The ability to obtain raw materials is also affected by other factors beyond the Company's control, including interruptions in production by suppliers, decisions by suppliers to allocate raw materials to other purchasers, and the availability and cost of transportation. Price increases for the Company's raw materials have driven up production costs and adversely affected the Company's operating margins, and this trend could continue. Price fluctuations have been mitigated to some extent by the Company through its contracts with suppliers and customers which lock in certain raw materials prices and selling prices.

Improvements in Process and Materials Technology in relation to the Company's Businesses

The Company constantly engages in centralized research and development for the reduction of production costs, the improvements of its processes, and the adherence of its products with global advances in technology with respect to their specific industries. For example, with respect to its oleochemicals and consumer ODM businesses, the Company believes it has been able to improve on materials and processes initially sourced from overseas developers and manufacturers to produce more efficient products. In addition, improved processes in the Company's food ingredients business and its colorants and plastics additives business have significantly reduced the Company's costs.

Capacity of the Company's manufacturing facilities

The number and volume of products that the Company is able to produce is affected by the manufacturing capacity of the Company's facilities. The capacity utilization of the Company's facilities is affected primarily by the near-term anticipated demand for the Company's products.

If demand for the Company's products lessen, then the significant capital expenditures necessary for such enhancements may not be easily recovered. In addition, the Company may be unable to continue to add capacity and meet demand for new products quickly if demand grows to levels that are greater than anticipated. On the other hand, the Company's efficiency and scale of operations would also be affected if low or decreased demand for the Company's products result in material underutilization of the Company's facilities, especially in light of the Company's expansion plans.

If the Company is not properly able to gauge the demand for its products over the near- to medium-term, then the Company may be adversely affected. Overestimation of demand may result in wasted capital expenditures if the Company is unable to maintain its facilities at desired utilization levels. On the other hand, if the Company is not able to meet the demands of its customers, they may switch to other suppliers which would affect the Company's market share and business reputation and could adversely affect the Company's revenues. Moreover, lower utilization rates on some production lines may also affect the Company's margins, even when many other production lines record high utilization rates, as there may be insufficient revenues to cover the Company's recorded amortization costs for its facilities and equipment.

Currency fluctuations

Substantially all of the Company's sales are denominated in Philippine pesos. Certain of its significant costs, such as purchases of raw materials and process equipment are denominated in United States dollars. Some of its other costs, which are incurred in Philippine pesos, can also be

affected by fluctuations in the exchange rate between the Philippine peso and U.S. dollars. For example, prices of certain petroleum-based products in the Philippines are based on the United States dollar price of oil. A weaker Philippine peso may also place upward pressure on oils prices if it makes it economical for domestic producers to export their product at international market prices. As a result, movements in the exchange rate between Philippine pesos and other currencies, in particular United States dollars, can have a significant effect on the Company's results of operations. See "Market Risk — Currency Exchange Rates."

RESULTS OF OPERATIONS

The Company generates revenues primarily from sales of its food ingredients, colorants and plastics additives, oleochemicals and other specialty chemicals and aerosols products through its subsidiaries OFI/DLPF, FIC/DLPC, CTI/CPSI, API and NAC, respectively. The Company, operating through D&L Industries, derives management fees from its provision of management services, which include executive management, administrative support, logistics support and technical services, to other affiliates, such as LBL Industries, Inc., Consumer Care Products, Inc., FIC Tankers, Inc. and FIC Marketing Co., Inc..

Segment Breakdown

The following table presents a breakdown of the Company's revenues, cost of sales and gross profit by respective business for the periods indicated:

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(in millions of Pesos)				
Revenues					
<i>Sales</i>					
Food ingredients	14,146.8	12,757.8	12,786.6	3,389.7	4,314.1
Oleochemicals	8,104.0	5,749.4	5,583.8	1,329.0	1,713.6
Colorants and plastic additives	3,547.4	3,155.9	2,574.7	731.6	817.1
Consumer products ODM	901.9	850.7	1,087.5	252.3	297.7
Management and Administrative ⁽¹⁾	2,532.2	2,526.9	1,845.7	117.2	167.3
Eliminations ⁽²⁾	(2,689.7)	(2,654.9)	(2,139.3)	(147.8)	(305.8)
Total Revenues	26,542.6	22,385.8	21,739.0	5,672.0	7,004.0
<i>Cost of Sales and Services</i>					
Food ingredients	12,035.3	10,456.2	11,223.4	2,975.6	3,822.4
Oleochemical	6,362.2	4,457.4	4,122.4	996.6	1,369.9
Colorants and plastic additives	2,622.9	2,339.1	1,897.3	550.0	596.4
Consumer products ODM	623.6	568.3	708.3	168.5	191.1

Management and Administrative ⁽¹⁾	411.5	444.9	462.8	112.3	128.8
Eliminations ⁽²⁾	(591.8)	(553.9)	(668.4)	(123.8)	(273.7)
Total Cost of Sales and Services	21,463.7	17,712.0	17,745.8	4,679.2	5,834.9
<i>Gross Profit</i>					
Food ingredients	2,111.5	2,301.6	1,563.2	414.1	491.7
Oleochemicals	1,741.8	1,292.0	1,461.4	332.4	343.7
Colorants and plastic additives	924.5	816.8	677.4	181.6	220.7
Consumer products ODM	278.3	282.4	379.2	83.8	106.6
Management and Administrative ⁽¹⁾	2,120.7	2,082.0	1,382.9	4.9	38.5
Eliminations ⁽²⁾	(2,097.9)	(2,101.0)	(1,470.9)	(24.0)	(32.1)
Gross Profit	5,078.9	4,673.8	3,993.2	992.8	1,169.1

Notes:

(1) Other income comprises management service fees derived by the Company from providing management service to its affiliates.

(2) Eliminations comprise management service fees billed to subsidiaries and sales of goods and services between subsidiaries.

Costs and Expenses

Cost of sales and services

The Company's cost of sales and services comprise the cost of raw materials used for the Company's businesses, factory overhead expenses such as rental, employee costs, depreciation and amortization, supplied, delivery charges, fuels and oils and communication and utilities expenses.

Expenses

The Company's classifies its expenses into the following:

- *Selling and Marketing Expenses* – comprising delivery charges, employee costs, outside services, transportation and travel, losses on write offs of receivables, representation expenses and advertising and promotion expenses, among others;
- *Administrative expenses* – comprising taxes, licenses and permits, utilities, supplies, bank charges, professional fees and depreciation and amortization, among others;
- *Other Income* – comprising foreign exchange gains or losses, interest income and dividend income, among others; and
- *Finance costs* – comprising interest expense.

Income tax expense

The Company's income tax expense comprises the income taxes accrued and/or paid by the Company and its respective subsidiaries.

Three months ended March 31, 2021 compared with three months ended March 31, 2020

The following comparison of the Company's results of operations is based on the Company's reviewed quarterly consolidated financial statements.

Food Ingredients

The sequential recovery in the food ingredients segment improved for the period ended March 31, 2021. On a quarter-on-quarter basis, total volume was higher by 9% while income was up 41%. On a year-on-year basis, total volume was higher by 2% while income was up 45%. With many food companies now better equipped to operate under current mobility restrictions, the company expects gradual recovery in this segment to continue in the succeeding quarters.

Oleochemicals and Specialty Oleochemicals

Chemrez managed to post a 27% YoY increase in net income for the period ended March 31, 2021. Volumes were up 8% YoY which more than offset the overall margin compression of 5%. The margin compression mainly came from the oleochemicals segment (chemicals derived from coconut oil) with coconut oil prices approaching its 4-year high. While the company passes on price changes to customers, it takes the company 30-45 days to adjust its prices. As such, in an environment of rapid price changes, temporary margin contraction is possible. Nonetheless, the company sees its margins recovering in the succeeding quarters.

Specialty Plastics

Specialty plastics income increased by 29% YoY for the period ended March 31, 2021. This was driven by higher volume for both engineered polymers and colorants and additives. Total segment volume increased by 11% YoY for the period. The company expects steady and consistent demand moving forward given the crucial role that plastics play during the current pandemic -- from various medical applications to packaging for parcel delivery.

Consumer Products ODM (formerly, Aerosoles)

Consumer products ODM, previously referred to as Aerosoles, continued to post record earnings as demand for sanitation chemicals such as disinfectant sprays and alcohol saw a notable surge due to the pandemic. Revenues grew by 18% YoY and net income jumped by 45% YoY for the period ended March 31, 2021.

Year ended December 31, 2020 compared with year ended December 31, 2019

Food Ingredients

The food ingredients business saw its earnings drop 50% YoY for the period ended December 31, 2020 due to the pandemic and the corresponding movement restrictions which translated to lower demand from hotels, restaurants, and caterers. As the economy slowly reopens, quarter-on-quarter improvement was observed in the last two quarters of 2020.

However, compared to year-ago pre-COVID level, earnings for this segment in the fourth quarter were still lower by 45%, as various food companies still feel the impact of the lockdown; foot traffic in malls and other commercial establishments remain well below pre-COVID levels. Nonetheless, as the general direction is to gradually reopen the economy and as we see the country adapt to the new normal, the food ingredients segment should continue to see quarter-on-quarter improvement in performance.

Oleochemicals and Specialty Oleochemicals

For Chemrez, which is composed of oleochemicals and other specialty chemicals, the improvement in earnings was fuelled by 1) the gradual reopening of the economy and 2) strong demand for high value coconut-based products in the international market.

The gradual easing of the quarantine restrictions in the country has allowed various sectors of the economy to reopen. Industries such as transportation and construction have been allowed to operate, albeit at still limited capacity, under a General Community Quarantine (GCQ) starting June 1 for Metro Manila and most of the nearby provinces. This resulted in the resurgence of demand for biodiesel (used in the transportation industry as an additive to diesel) and various construction-related products that the company sells under the Other Specialty Chemicals division. Meanwhile, high margin oleochemicals which are coconut-based products mainly for export continue to gain traction in the global market.

In the fourth quarter alone, net income for the segment jumped 358% YoY, bringing the period ended December 31, 2020 net income growth to 2%. This contrasts the 24% earnings decline recorded during the period ended September 30, 2020. Primary drivers of the recovery include a 17% YoY pick up in volume, 11% YoY gross profit margin expansion, and lower effective tax rate for the quarter after the segment breached the revenue threshold for it to qualify for an income tax holiday (ITH) granted by the Board of Investments.

Specialty Plastics

The Specialty Plastics division saw its net income drop by 21% for the period ended December 31, 2020 mainly due to challenges brought about by the pandemic. However, green shoots have started to emerge in the second half of the year.

The recovery in the fourth quarter of 2020 mainly stemmed from the higher demand for additives and colorants for plastic packaging applications. The pandemic resulted in a massive increase in parcel delivery which requires the use of more packaging materials. In the fourth quarter alone, volume for colorants and additives has already exceeded year-ago levels, growing by 7% YoY.

On the engineered polymer side, which are predominantly export-oriented raw materials for automotive wire harnesses, demand seems to be gradually coming back as more wire harness customers are reportedly going back to a regular 5-day work week with 24-hour shifts. To a certain extent, the pandemic has increased the public's interest in purchasing vehicles given the possibility of virus exposure when using public transportation. However, the current global shortage of computer chips and its impact on vehicle production, may undermine the recovery of this segment. In the fourth quarter, volume for engineered polymers dropped by 2%, which represents a significant improvement from the 57% YoY volume drop recorded in the second quarter of 2020.

Consumer Products ODM (formerly, Aerosols)

Consumer Products ODM, which was previously referred to as the Aerosols segment, was a strong performer in 2020, with its income for the year growing by 35% YoY. This was mainly driven by the massive increase in demand for various sanitation products due to the pandemic. Under this division, the company formulates and manufactures various personal, home, and

industrial products used for general sanitation and hygiene. Such products would include alcohol, sanitizers, and disinfectant sprays, among others.

For presentation purposes, the company decided to change the name of this division from Aerosols to Consumer Products ODM (Original Design Manufacturer) to reflect the increasing share of non-aerosol products being sold under this division from virtually zero several years ago.

Year ended December 31, 2019 compared with year ended December 31, 2018

Food Ingredients

The food ingredients segment posted meaningful margin expansion for the year, as both HMSP (high margin specialty products) and commodity margins showed improvements. Blended margins expanded by 3.1ppts YoY for the period ended December 31, 2019. Meanwhile, volume in the fourth quarter of 2019 saw a sharp recovery as it grew 15% YoY, bringing total volume decline for the year to just 4% YoY from a 10% YoY decline recorded for the period ended September 30, 2019. Net income in the fourth quarter of 2019 was up 13% YoY, bringing the full year net income growth to 2% YoY.

Oleochemicals and Specialty Oleochemicals

Chemrez group saw its total volume decline by 13% for the year. This was mainly due to the confluence of external factors such as the delayed passage of the budget for the year and uncertainties in the global export market related to the trade war which dampened demand for most of the year. Moreover, expiration of income tax holiday for oleochemicals, a sub-segment of Chemrez, and forex losses resulted in a steeper decline in income. Overall, the group posted a 35% YoY decline in profits for the period.

Specialty Plastics

Specialty plastics net income was down 18% YoY for the period ended December 31, 2019. This was mainly due to the 12% decline in total volume as demand for both engineered polymers and colorants and additives remained soft. This segment continues to feel the effects of the slowdown in the global auto industry as about half of its sales come from export-oriented raw materials for automotive wire harness applications.

Aerosols

Aerosols segment has shown signs of recovery in the fourth quarter of 2019 as net income increased by 12% YoY, bringing full year net income growth to 1% YoY from a 2% net income decline recorded for the period ended September 30, 2019. Blended gross profit margins improved by 2.4 ppts while total volume grew by 2% YoY for the year.

Year ended December 31, 2018 compared with year ended December 31, 2017

Food Ingredients

Higher inflation in 2018 peaked in the fourth quarter, translating to generally negative consumer sentiment for the year. The impact was most pronounced in the group's food

ingredients business where net profits dropped by 3% YoY. Nonetheless, the continued growth in the HMSP food segment (which managed to post 10% YoY volume growth) remains encouraging, representing the continued strength of recurring business. In addition, the average margin of specialty fats and oils showed signs of recovery, expanding 5.7 ppts during the fourth quarter of 2018 alone vs. the first nine months of the year. HMSP food now accounts for 57% of total revenues, a meaningful improvement from just 51% in for the period ended December 31, 2017.

The export business remains one of the growth drivers for the food segment. Exports as a percentage of total food revenues stood at 17% for the period ended December 31, 2018, a sharp improvement from just 6% two years ago. This was largely driven by partnerships with foreign principals such as Ventura and Bunge. Going forward, the company will focus on further growth in exports through direct sales, as well as through other partnerships.

Oleochemicals and Specialty Oleochemicals

Chemrez delivered 30% earnings growth for the period ended December 31, 2018. This was largely driven by the strong performance of the Oleochemicals segment which more than offset the weakness in the Other Specialty Chemicals segment.

With the increasing appreciation of coconut-based products globally, HMSP oleochemicals volume grew by 29% YoY. In the beauty industry, coconut oil has increasingly been used as hydrating and moisturizing components in hair and skin care products, in line with purported anti-aging, antibacterial, and anti-inflammatory benefits. Meanwhile, commodity biodiesel volume increased by 14% YoY for the period ended December 31, 2018, a recovery from the 18% volume decline posted during the period ended December 31, 2017.

Specialty Plastics

The specialty plastics group grew net income by 13% YoY for the period ended December 31, 2018, despite higher prices of petrochemical-based raw materials for the year. Total volume for the period declined by 1%. Meanwhile, the colorants and additives segment saw its gross profit margins expand by 2.4 ppts which was more than enough to offset the 3.2 ppts margin contraction in the engineered polymers segment. Overall margins are expected to recover once raw material prices start to stabilize. The company's price pass-through mechanism allows it to pass on changes in raw material prices and forex to customers. It normally takes the company 30-45 days to adjust its selling prices.

Aerosols

Aerosols group posted 12% YoY net income growth for the period ended December 31, 2018, with volumes growing faster at 29% YoY. Meanwhile, the blended gross profit margin contracted by 4.3 ppts due to higher raw material prices. The company's price pass through mechanism is uniformly applied across all of its businesses; thus, margins in aerosols are also expected to recover once underlying raw material prices start to stabilize.

INDEBTEDNESS

The Company's borrowings generally comprise unsecured short-term loans from local banks with an average maturity of one month to one year. These borrowings bear average annual interest rates ranging from 2.95%, subject to monthly repricing. As of March 31, 2021, the Company's borrowings amounted to ₱7,050.0 million. As of the date of this Prospectus, the Company had no long-term indebtedness outstanding.

FINANCIAL CONDITION

Financial position as of March 31, 2021 compared with December 31, 2020

Assets

Current assets. Cash and cash equivalents increased by 43.1% from ₱2,136.6 million as of December 31, 2020 to ₱3,057.3 million as of March 31, 2021. This increase was primarily due to additional funds from short-term borrowings and increased collections from sales during the period. Net receivables increased by 8.0% from ₱3,682.0 million as of December 31, 2020 to ₱3,978.3 million as of March 31, 2021, mainly due to improved on sales for the first quarter of 2021 and offset by improved collection efforts. Receivables from related parties increased by 102.5% from ₱44.7 million as of December 31, 2020 to ₱90.6 million as of March 31, 2021. The increase was attributable to additional increase in the management and shared service fees charged to other related parties.

Net inventories decreased to ₱5,020.8 million as of March 31, 2021 from ₱5,832.5 million as of December 31, 2020. This decrease in inventories was primarily due to a decrease in the level of raw materials inventories and inventories in transit.

Prepayment and other current assets amounted to ₱3,576.7 million as of March 31, 2021, an increase of 43.4% from ₱2,495.0 million as of December 31, 2020. The increase was mainly a result of an increase in the level of advances to suppliers, input value-added tax ("VAT") and creditable withholding taxes.

Noncurrent assets. Right-of-Use (ROU) Assets increase by 133.4% from ₱103.8 million as of December 31, 2020 to ₱242.3 million as of March, 31 2021 due to renewal of lease contracts for the current year. Property, plant and equipment increased by 11.4% from ₱5,693.9 million as of December 31, 2020 to ₱6,344.4 million as of March 31, 2021. This increase in property plant and equipment was primarily due to acquisitions during the period, partially offset by recognized depreciation expenses. Majority of the acquisitions is part of the Batangas expansion project of the Company.

Liabilities

Trade payable and other liabilities increased by 10.9% from ₱1,927.1 million as of December 31, 2020 to ₱2,137.5 million as of March 31, 2021, mainly as a result of additional accruals of expenses during the period. Amounts due to related parties similarly decreased by 52.9% from ₱21,281.3 million as of December 31, 2020 to ₱10,024.1 million as of March 31, 2021. This decrease was attributable to the settlement of advances from related parties.

Borrowing increased by 36.9% to ₱7,050.0 million as of March 31, 2021, from ₱5,150.0 million as of December 31, 2020. This increase resulted from the additional proceeds of short-term borrowings amounting to ₱1,900.0 million, needed for working capital requirements.

Total noncurrent liabilities, including employee retirement benefits, decreased by 54.6% from ₱401.7 million as of December 31, 2020 to ₱182.4 million as of March 31, 2021. This decrease was primarily due to a settlement of loan from a related party amounting to ₱300.0 million.

Equity

The unappropriated portion of retained earnings increased from ₱6,681.8 million as of December 31, 2020 to ₱7,405.4 million as of March 31, 2021. This increase resulted from net income of ₱723.6 million earned during the quarter ended March 31, 2021.

Financial position as of December 31, 2020 compared with December 31, 2019

Assets

Current assets. Cash and cash equivalents increased by 7.4% from ₱1,989.7 million as of December 31, 2019 to ₱2,136.6 million as of December 31, 2020. This was primarily a result of increased collections from sales.

Net receivables increased to ₱3,682.0 million as of December 31, 2020, from ₱3,499.4 million as of December 31, 2019. The portion of receivables due to related parties increased by 19.7% from ₱37.4 million in 2019 to ₱44.7 million as of December 31, 2020, mainly as a result of increased advances to related parties.

Net inventories increased by 15.6% from ₱5,046.2 million in 2019 to ₱5,832.5 million as of December 31, 2020. This increase was attributable to a higher level of inventories purchased during the year ended December 31, 2020. Prepayment and other current assets amounted to ₱2,495.0 million as of December 31, 2020, an increase of 13.6% from ₱2,195.9 million in 2019, mainly resulting from an increase in the level of deposits with suppliers from inventory purchases and increased input VAT.

Noncurrent assets. ROU assets decreased by 54.6% from ₱228.7 million as of December 31, 2019 to ₱103.82 million as of December 31, 2020 due to end of lease contracts for the current year. Property, plant and equipment increased by 42.1% from ₱4,006.8 in 2019 to ₱5,693.9 as of December 31, 2020. This increase in property plant and equipment was primarily due to acquisitions during the period, partially offset by recognized depreciation expenses. Majority of the acquisitions is part of the Batangas expansion project of the Company.

Liabilities

Trade payables and other liabilities increased by 53.1% to ₱1,927.1 million as of December 31, 2020, as compared to ₱1,258.8 million in 2019. This increase was attributable to increased trade payables resulting from increased inventory purchases during December 2020. Payments due to related parties registered a decrease from ₱215.7 million in 2019 to ₱21.3 million as of December 31, 2020.

Borrowings increased by 51.5% from ₱3,400.0 million in 2019 to ₱5,150.0 million as of December 31, 2020. The increase resulted from net loan availments during the year ended December 31, 2020 amounting to ₱1,750 million.

Total noncurrent liabilities increased by 752.1% from ₱47.1 million in 2019 to ₱401.7 million as of December 31, 2020, primarily due to loan payable to a related party and increased retirement benefit obligation amounting to ₱368.0 million.

Equity

Share capital registered no change between the end of 2019 and 2020.

Unappropriated retained earnings increased by 11.8% from ₱5,977.3 million in 2019 to ₱6,681.8 million as of December 31, 2020. This increase resulted from net income of ₱2,011.7 million earned and partially offset by dividend declared of ₱1,307.1 during the year ended December 31, 2020.

Financial position as of December 31, 2019 compared with December 31, 2018

Assets

Current assets. Cash and cash equivalents increased by 12.1% from ₱1,775.0 million in 2018 to ₱1,989.7 million as of December 31, 2019. The increase was attributable to increased sales during the year ended December 31, 2019 which contributed to increased collections from sales.

Net receivables decreased by 23.7% from ₱4,587.7 million in 2018 to ₱3,499.4 million as of December 31, 2019, mainly due to higher collections during the year ended December 31, 2019. The portion of receivables due from related parties decreased by 33.5% to ₱37.4 million as of December 31, 2019, from ₱56.2 million in 2018, mainly as a result of decreased advances to related parties.

Inventories decreased by 20.9% from ₱6,379.8 million in 2018 to ₱5,046.2 million as of December 31, 2019, primarily due to a decrease in the level of raw material purchases during the year ended December 31, 2019. Prepayment and other current assets increased by 20.5% from ₱1,821.9 million in 2018 to ₱2,195.9 million as December 31, 2019, mainly as a result of an increase prepayments during the year ended December 31, 2010.

Noncurrent assets. ROU assets increased by 100.0% from nil in 2018 to P228.7 million as of December 31, 2019 due to the implementation of the accounting standard related to leases. Property, plant and equipment increased by 39.0% from ₱2,882.0 million in 2018 to ₱4,006.8 million as of December 31, 2019, primarily as a result of acquisitions amounting to ₱1,531.1 million during the year ended December 31, 2019, partially offset by disposals and realized depreciation expenses amounting to ₱406.3 million.

Liabilities

Trade payable and other liabilities decreased by 11.5% from ₱1,423.1 million in 2018 to ₱1,258.8 million as of December 31, 2019. This decrease resulted from reduced raw material purchases during the year ended December 31, 2019.

Amounts due to related parties decreased by 76.2% from ₱905.9 million in 2018 to ₱215.7 million as of December 31, 2019. The decrease was attributable to increased payments to related parties during the year ended December 31, 2019. Lease liabilities increased by 100.0% to ₱246.0 million as of December 31, 2019 due to the implementation of the accounting standard related to leases.

Borrowings were ₱3,400.0 million as of December 31, 2019, an increase of 41.7% compared to ₱2,400.0 million in 2018. The increase was due to net loan availed during the year ended December 31, 2019 amounting to ₱1,000.0 million.

Total noncurrent liabilities decreased by 95.4% to ₱47.1 million as of December 31, 2019, from ₱1,026.8 million in 2018, mainly as a result of reclassification of borrowings from non-current, to current liabilities.

Equity

The unappropriated portion of retained earnings increased by 10.7% from ₱5,400.2 in 2018 to ₱5,977.3 as of December 31, 2019. The increase in unappropriated retained earnings was attributable to net income earned, offset by dividends declared during the year ended December 31, 2019. Net increase in retained earnings amounts to ₱577.1.

Financial position as of December 31, 2018 compared with December 31, 2017

Assets

Current assets. Cash and cash equivalents decreased by 37.8% from ₱2,854.7 million as of December 31, 2017 to ₱1,775.0 million as of December 31, 2018. This was due to increase in cash outflow due to higher inventory requirements, higher capital expenditure and repayments of borrowings.

Net receivables decreased to ₱4,587.7 million as of December 31, 2018, from ₱5,233.5 million as of December 31, 2017. This is due to higher collections being made by the Company despite the increase in sales amount for the period. The portion of receivables due to related parties decreased by 87.3% from ₱443.9 million in 2017 to ₱56.2 million as of December 31, 2018, mainly as a result of lower sales of goods and services to related parties.

Net inventories increased by 7.0% from ₱5,959.7 million in 2017 to ₱6,379.8 million as of December 31, 2018. This increase was attributable to a higher level of inventories purchased during the period of 2018. Prepayment and other current assets amounted to ₱1,821.9 million as of December 31, 2018, an increase of 12.1% from ₱1,625.3 million in 2017, mainly resulting from an increase in the advances to suppliers.

Noncurrent assets. Property, plant and equipment increased by 16.4% from ₱2,475.8 in 2017 to ₱2,882.0 as of December 31, 2018. This increase in property plant and equipment was primarily due to acquisitions during the period, partially offset by recognized depreciation expenses.

Liabilities

Trade payables and other liabilities increased by 8.7% to ₱1,423.1 million as of December 31, 2018, as compared to ₱1,309.3 million in 2017. This increase was attributable to increased trade payables resulting from increased inventory purchases for the period of 2018 and

increase in accrued expenses. Payments due to related parties registered an increase from ₱50.7 million in 2017 to ₱905.9 million as of December 31, 2018 due to additional loan entered with a related party to be paid in 2019.

Short-term borrowings decreased by 57.1% from ₱5,600.0 million in 2017 to ₱2,400.0 million as of December 31, 2018. The decrease resulted from settlement of outstanding loans for the year. The long-term borrowings remain the same at ₱1,000.0 million for the period ended 2018 and 2017.

Equity

Unappropriated retained earnings increased by 32.7% from ₱4,070.2 million in 2017 to ₱5,400.2 million as of December 31, 2018. This increase resulted from net income of ₱3,187.1 million earned and partially offset by dividend declared during the year ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity requirements are for purchases of raw materials and equipment, working capital requirements as well as for capital expenditures such as for the establishment of new and the upgrading of existing production facilities, including the addition of new and specialized production lines and its expansion projects. The Company's primary sources of liquidity are cash flow from operations and additional borrowings. For the years ended December 31, 2020, 2019 and 2018, the Company believed that its cash flows from operations have generally been sufficient for its liquidity requirements. The same years also had a working capital surplus even though the Company is using short-term debt for additional funds needed for capital expenditure requirements, raw materials purchasing and working capital requirements.

The table below sets out the Company's cash flows for the years ended December 31, 2020, 2019 and 2018, as well as for the three months ended March 31, 2020 and 2021.

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(unaudited)				
	(in millions of Pesos)				
Net cash flows provided by operating activities	4,994.5	4,787.9	2,264.3	320.3	111.3
Net cash flows (used for) investing activities	(858.1)	(2,131.9)	(2,450.9)	(868.5)	(732.3)
Net cash flows (used for) provided by financing activities	(5,214.5)	(2,435.0)	344.8	205.0	1,540.3
Effect of foreign exchange rate changes on cash	(1.6)	(6.4)	(11.2)	1.9	1.3
Net increase (decrease) in cash and cash equivalents	(1,079.7)	214.6	147.0	(341.3)	920.6

Net cash flows from (used in) operating activities

The Company's net cash flows from operating activities for the three months ended March 31, 2021 were ₱111.3 million, mainly reflecting cash from operations due to increase in sales and profit for the first quarter of 2021, primarily offset by increased in other current assets which are deposit to suppliers. The Company's net cash flows from operating activities in 2020 were ₱2,264.3 million. This primarily reflects cash from operations, which offset purchase of inventories and other prepayments made during the year. In 2019, the Company's net cash flows from operating activities were ₱4,787.9 million, reflecting cash from operations, which primarily came from collection of receivables. In 2018, the Company's net cash flows from operating activities for the year ended December 31, 2018 were ₱4,994.5 million. In 2017, the Company's net cash flows from operating activities for the year ended December 31, 2017 were ₱635.5 million.

Net cash flows used in investing activities

The Company's net cash flows used in investing activities for the three months ended March 31, 2021 were ₱732.3 million, mainly due to investments in property, plant and equipment. In 2020, the Company's net cash flows used in investing activities were ₱2,450.9 million, reflecting acquisitions of property and equipment. The Company's net cash flows used in investing activities in 2019 were ₱2,131.9 million, primarily comprising acquisitions of property and equipment. Both 2020 and 2019 major acquisitions of property, plant and equipment were related with the Batangas expansion project of the Company. In 2018, net cash flows used in investing activities were ₱858.1 million. In 2017, net cash flows used in investing activities were ₱461.2 million.

Net cash flows from (used in) financing activities

The Company's net cash flows from financing activities for the three months ended March 31, 2021 were ₱1,540.3 million. This primarily reflects proceeds from borrowings which offset payment of interest expense for the period. In 2020, the Company's net cash flows from financing activities were ₱344.8 million, as proceeds received from borrowings were only partially offset by payments of principal and interest for the year and payment of dividends declared. The Company's net cash flows used in financing activities in 2019 were ₱2,435.0 million, primarily pertaining to payment of interest expense and dividend payment. In 2018, net cash flows used in financing activities were ₱5,214.5 million, comprising payments of borrowings, dividends and interest for the period. In 2017, net cash flows used in financing activities were ₱107.1 million.

CAPITAL EXPENDITURES

The Company has made significant capital expenditures to improve operation, reduce costs and maintain the performance of and upgrade its major equipment and facilities. A table setting out the Company's capital expenditures for each of its businesses for the periods indicated is set out below.

**For the years ended December
31,**

**For the three months
ended March 31,**

Exchange Rate Risk

The Company's foreign currency exchange rate risk exposure results primarily from certain of its business transactions denominated in foreign currencies. The Company uses a combination of natural hedges, with U.S. dollar revenue from exports providing a partial hedge against U.S. dollar-denominated raw material expenses, and derivative instruments to manage its exchange rate risk exposure.

Commodity Price Risk

The Company's commodity price risk exposure results primarily from the use of commodities as raw materials and fuel in its production processes. The Company makes commodity forward purchases of a variety of commodities. The prices of the commodity forwards are generally fixed through direct agreements with suppliers or by reference to a commodity price index.

Interest Rate Risk

The Company's main exposure to market risk for changes in interest rates relates primarily to its interest-bearing loans and borrowings. As of March 31, 2021, 100% of the Company's borrowings bore interest at rates which are subject to monthly repricing.

Risks relating to the Philippines

As of end 2020, 71% of the Company's consolidated revenues are domestic. With a substantial portion of its business conducted and all of its assets located in the Philippines, the Company is exposed to risks associated with the Philippines, including political instability, exchange rate fluctuations, and occurrence of natural disasters such as typhoons and earthquakes.

The Company has contingency plans in place in cases of incidents – natural and man-made. These include centralized fire protection and disaster prevention systems. The Company also self-insures by maintaining a relatively high level of asset liquidity in the form of cash and cash equivalents and receivables, to protect its businesses against other potential risks. As of end-2020, cash and cash equivalents were 8% of the Company's total assets.

Risk relating to failure to keep up with technological innovation

The Company derives 63% of its consolidated revenues from high margin specialties. These are innovation-driven products, mostly tailor-made to the customer's needs. The higher the level of customization involved, the higher the profitability. Failure to anticipate and meet the requirements of our customers, as well as keep pace with evolving technological innovations in its markets might adversely impact business activities and profitability.

To make sure that the Company can respond effectively and efficiently to market needs, about 14% of its workforce is in the technical department (R&D and IT). These employees pursue various research and development activities, including product development and application, as well as quality assurance.

Risk from volatility in raw material prices

As a manufacturing company, 80% of total costs and expenses are raw materials, primarily palm oil, coconut oil, and other types of vegetable oils, as well as monomers, polymers, and

other chemicals. Prices of these raw materials tend to be volatile and the Company's ability to pass on significant changes in the cost of raw materials to customers is largely dependent upon contractual relationships and market conditions.

The Company does not fix the selling price for most of its contracts with customers. Prices for the contracts are reset every month on average, enabling the Company to pass on relevant price changes in raw material costs.

Risk from customer concentration

The Company's largest customers account for a sizable portion of the business. The top three largest customers, mostly food ingredients customers, accounted for 18% of consolidated revenues in 2020. These customers are large multinational and local corporations. Significant changes in any of these customers' purchases might have material impact on the Company's businesses and profitability.

The products sold to these customers are mostly customized for which the Company is almost the sole supplier, in turn generating a stable base of sales volume for the Company. Nonetheless, cognizant of the risk of customer concentration, the Company continues to work closely with customers in order to get good demand visibility. Part of managing risks associated with customer concentration is assessing such risks against operational and strategic factors including economies of scale and knowledge accumulation.

PLAN OF OPERATION FOR THE NEXT TWELVE (12) MONTHS

The Company will likely be able to satisfy its cash requirements from its operating cash flows which is expected to improve due to the increase in sales and profitability for the first half of 2021. It is likely that sales and profitability improve for the next twelve months as the economy re-opens. Although ECQ has been re-imposed in some parts of the country, it is not likely to affect the sales outlook of the Company since the lockdowns are less strict as compared to what was observed during the previous year and the Company has already put in place processes to enable it to cope with lockdown measures.

Net operating cash flow of the company is also affected by the purchasing of inventories for the current year which is higher in amount because majority of the raw materials have increased their cost, and also the purchases are higher in volume to be able to meet the demand of the customers. Depending on the working capital requirements of the business segments in the next twelve months, the Company may consider raising additional funds, aside from the Offer, the proceeds from which will be mainly used to finance the Batangas expansion project.

With over a year into the pandemic, the Company believes that it is now in a far better position to thrive in an adverse environment and a potentially protracted economic recovery period. Moreover, as the majority of the products that the Company manufactures cater to basic essential industries such as food, oleochemicals, plastics and cleaning chemicals, the company sees continued strong demand ahead.

From a capital structure perspective, the Company is in a solid position to withstand external pressures. As of end-June 2021, it remained lightly-gearred with net debt at 25% and interest cover at 29x. In addition, the cash conversion cycle for the period was lower at 119 days vs 127 days in 2020, given lower account receivables days and higher payable days.

Despite quarantine restrictions still in place, the Company believes that it can continue its recovery path. The Company intends to further capitalize on the increasing awareness on health, safety, and the environment. This trend should continue to translate to strong demand for the Company's oleochemicals and sanitation and disinfection products.

Over the next twelve (12) months, the Company intends to focus its R&D resources in developing high margin specialty products (HMSP) that are becoming more relevant under the new normal. These includes products that cater to health, wellness, and sanitation categories. In addition, with the increasing environmental awareness, the Company also intends to do more R&D works in developing products that are organic, sustainable, and environmentally friendly.

Meanwhile, the Company's expansion facility in Batangas is more than halfway done. The said expansion facility will mainly cater to D&L's growing export businesses in the food and oleochemicals segments. It will add the capability to manufacture downstream packaging, thus allowing the Company to capture a bigger part of the production chain. For instance, while the Company primarily sells raw materials to customers in bulk, the new plants will allow it to "pack at source". This means that D&L will have the ability to process the raw materials and package them closer to finished consumer-facing products. This will enable D&L to move a step closer to its customers by providing customized solutions and simplifying their supply chain, which is of high importance given logistical challenges in general.

In line with the Batangas expansion project which is expected to partially commence commercial operations by May 2022, the Company will procure new machineries and equipment to be used for operations. The amount required to purchase such machineries and equipment will already be covered by the funds raised through the bond offering. The Company also estimates that it will add about 750 workers to meet the workforce requirement of the project.

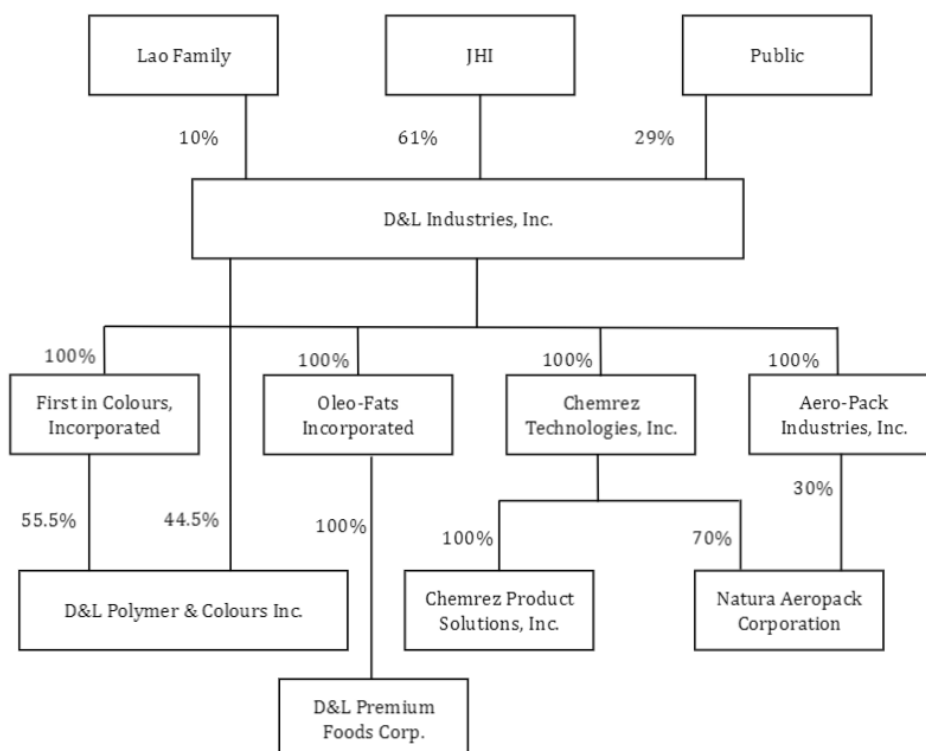
BUSINESS

OVERVIEW

D&L Industries was incorporated on July 27, 1971. The Company is a publicly listed company, which is 71% beneficially owned by the Lao family, the rest by the public. The Company's registered office address and principal place of business is No. 65 Calle Industria, Bagumbayan, Quezon City 1110, Philippines.

The Company is the holding company for a group of companies with interests in the customization, development and manufacturing of food ingredients, colorants, additives, engineered polymers, aerosol products, oleochemicals, resins, and powder coating. It also renders management and other services to subsidiaries and affiliate companies, which include executive management, administrative support, logistics support and technical services, and derives income therefrom in the form of management service fees. It was officially listed on the Philippine Stock Exchange (PSE) on December 12, 2012.

The following diagram shows the corporate structure of the Company, excluding beneficial ownership of securities held by the Lao family members. As of June 30, 2021, the Company is 61% owned by Jadel Holdings Co., Inc. (JHI) and 10% owned by the Lao Family. The remaining 29% of the shares outstanding are publicly held.



D&L's subsidiaries and their corresponding dates of incorporation with the SEC are as follows:

<i>Subsidiary / Affiliate</i>	<i>Date of incorporation</i>
Oleo-Fats, Incorporated (OFI)	May 04, 1987
Chemrez Product Solutions, Inc. (CPSI)	November 16, 1988
First in Colours, Incorporated (FIC)	November 17, 1988
Chemrez Technologies, Inc. (Chemrez)	June 01, 1989
Aero-Pack Industries, Inc. (Aero-Pack)	September 29, 1989
D&L Polymer & Colours, Inc. (DLPC)	March 30, 2006
Natura Aeropack Corporation (NAC)	July 20, 2016
D&L Premium Foods Corp. (DLPF)	June 29, 2017

The company derives the majority of its income from subsidiaries engaged in four principal business lines, as set out below:

- *Food ingredients* – The Company, through its subsidiary OFI and soon through DLPF, manufactures a line of bulk and specialty fats and oils, culinary and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines. The company also manufactures food safety solutions such as cleaning and sanitation agents for various customers;
- *Oleochemicals, resins and powder coatings* – The Company, through Chemrez, its subsidiary CPSI and soon through NAC, focus on developing, manufacturing, and supplying the highest quality of resins, oleochemicals, and specialty products that are effective and cost-efficient, without sacrificing ethical standards. Under this segment, the company manufactures CME, also known as coco-biodiesel, using the Philippines’ first continuous-process methyl ester plant. The company also manufactures other higher value oleochemicals (chemicals derived from vegetables) that are used as sustainable alternative raw materials for many personal and home care products. Lastly, under this segment, the company also manufactures resins such as polystyrene, acrylic emulsions, polyester, and a line of powder coatings;
- *Colorants and plastics additives* – The Company, through its subsidiaries FIC and DLPC, develops and manufactures innovative plastic solutions that make plastics aesthetically appealing, functional, and sustainable. The group’s products are mainly classified as plastic colorants, additive masterbatches, and engineered polymers. Plastic colorants give plastics precise coloring and special effects mainly used for brand and product identification. Additive masterbatches add functional features to plastics such as higher processability, antimicrobial properties, and anti-static properties. Meanwhile, engineered polymers are plastic compounds that have improved mechanical and thermal properties that make them ideal for films, bottles, furniture, appliances, electronic and automotive parts, etc. Lastly, the group offers sustainable options such as compostable plastics, biodegradable plastics, bio-based plastics, recycled compounds, and upcycled materials;
- *Consumer Products ODM* – The Company, through its subsidiary Aero-Pack and soon through NAC, is the first and only company in the Philippines to design and develop customized aerosol products focusing on personal care, home care, and maintenance chemicals. The company also manufactures, on a toll manufacturing basis, non-aerosol products such as insecticides, liquid and gel disinfectants, cleaners, polishers, and liquid soaps.

For the year ended December 31, 2020, the company's consolidated revenues amounted to ₱21.7 billion and consolidated net income amounted to ₱2 billion, representing a 23% YoY decline in earnings mainly due to the disruptions brought about by the COVID-19 pandemic. Earnings before interest and taxes amounted to ₱2.7 billion, lower by 23% YoY.

For the first three months of the year, the company posted an encouraging recovery with recurring earnings growing 35% YoY and 9% QoQ to ₱695 million. Including a one-time gain of ₱29 million related to the retroactive implementation of CREATE Act for the year 2020, total net income for the quarter stood at ₱724 million, up 41% YoY. All of the Company's business segments posted positive YoY growth. The recovery was mainly driven by people and businesses gradually adapting to the new normal. With more than a year into the pandemic, D&L, as well as many of its customers, has found new ways to continuously operate despite various mobility restrictions. This is true, not just for the chemicals segment but also for the food ingredients space wherein many food companies are now better-equipped to service customers on a 100% takeout or delivery basis.

COMPETITIVE STRENGTHS

The Company believes that it possesses the following principal strengths enabling it to compete effectively in its businesses:

Focus on innovation and development of specialty products

Operating in technology-intensive businesses, the Company focuses a significant portion of its resources on product innovation, using its experience, expertise and research and development capabilities to constantly supplement, update, and improve its product portfolio. As a result, the Company believes that it has been able to introduce a number of innovative products into the Philippine market, many of which are used by a number of key clients. For example, through its food ingredients business, the Company introduced an innovative vegetable oil which substitutes for the fatty acid profile of breast milk, allowing for the production of proprietary substitutes for milk products, as well as a hydrogenated lauric oil used to produce ice cream at lower cost compared with imported milk fat. Moreover, through its colorants and plastic additives business the Company responded to feedback by certain customers with respect to their production processes by formulating and introducing a line of purging compounds into the market. These products immediately improved operational efficiency by significantly reducing the turnaround times in which a customer could re-use its production lines for a different product. The Company has built on this successful launch and now sells these purging compounds to a wider range of customers. The Company has also introduced a number of innovative aerosol products, including a line of scented, non-greasy interior and exterior automotive and motorcycle dressings and an environmentally-friendly diesel fuel line cleaner. The Company believes that its ability to innovate new products adds value to its customers' processes and diversify the Company's revenue streams giving it a significant competitive advantage.

Advanced technical expertise for custom production

The Company believes its extensive experience and commitment to research and development has allowed it to build its technical expertise, with the technologies it uses being among the most advanced in Asia. The Company believes it has been able to leverage this considerable technical expertise and know how to adjust and tailor its products according to its customers'

precise specifications and requirements. Moreover, as a result of its experience and advanced production processes, the Company has the ability to respond quickly to requests for high-quality customized products, notably as set out below.

Food ingredients. The Company manufactures a line of bulk and specialty fats and oils, culinary, and other specialty food ingredients. The Company contract manufactures and provides food ingredient products to most of the leading food manufacturers and quick-service restaurant chains in the Philippines. The Company also manufactures food safety solutions such as cleaning and sanitation agents for various customers.

Colorants and plastic additives. The Company upgrades its equipment for its colorants and additives business on a regular basis, as required by technological advances in the industry. The Company utilizes these new technologies to enhance its ability to customize its plastics products to ensure precise color, the required mechanical and thermal properties, as well as other requested properties such as tensile strength, impact resistance, processing speed, flammability, and heat resistance.

Oleochemicals, resins and powder coatings. The Company ensures that it remains at the technological forefront for product development and application testing through its comprehensive analytical and applications laboratory. This allows the Company to customize certain products, such as resins and oleochemicals, in close technical collaboration with local, regional, and multinational clients.

Consumer Products ODM. The Company is the first and only company in the Philippines to design and develop customized aerosol products focusing on personal care, home care, and maintenance chemicals. The Company also manufactures, on a toll manufacturing basis, non-aerosol products such as insecticides, liquid and gel disinfectants, cleaners, polishers, and liquid soaps.

In addition, by continually leveraging the latest technology across its business processes, the Company believes it has developed a reputation for quality and efficiency, and has also been able to reduce its production costs, resulting in a significant competitive advantage. The Company has established a state-of-the-art analytical laboratory which throughout the years, has significantly enhanced its capability in the research, design and development of new products and in the reverse engineering of existing products. This lab was awarded a Certificate of Accreditation as an ISO 17025 Chemical Testing Lab by the Department of Trade and Industry's Philippine Accreditation Office, attesting to its high-quality facilities and employees. The Company has continuously upgraded this and its other application laboratories to allow it to continuously seek and implement innovations across the Company's entire product design and development cycle.

Strong track record resulting in long-term collaborative relationships

The Company has nearly five decades of operating history in the Philippines, offering high quality products and services which have established it as a leader in its businesses, and has resulted in a customer base comprising some of the largest Philippine and multinational corporations. More importantly, the Company believes that its experience and track record have enabled it to foster long-standing and collaborative relationships with most of its major customers, some of whom the Company has served for nearly 50 years. Due mainly to its proven track record, the Company's key customers have shown a willingness to commit time and resources to collaborate with the Company on product development and operational

improvements. As a result, the Company often works in tandem with its major customers to identify issues in their respective businesses, and then formulate and develop new products or product solutions to address these concerns. In addition, to bolster these relationships, the Company often supports its sales efforts to customers with after-sales services such as on-site troubleshooting, which further strengthens its key relationships. The Company believes that these strong relationships have been a key driver of its growth over the past years, allowing it to steadily increase the products sold to long-standing customers, as well as presenting numerous cross-selling opportunities across its product portfolio to such customers. In addition, the Company believes its strong relationships help it retain the loyalty of such key customers, which is difficult to replicate, presenting a significant barrier to entry against potential competitors.

Experienced management team with a proven track record

The Company's management team is comprised of knowledgeable and experienced industry experts with a proven track record in chemicals and related industries. The Company's senior management members have an average of over 40 years of industry experience. The Company's production plants and research and development facility are staffed by technicians and senior engineers with significant skills and experience in operating production facilities and product development, respectively. Many of the Company's executive officers hold publicly recognized industry organization posts and enjoy wide recognition throughout the industry. The Company believes its experienced management team has been a key to its past success and will continue to contribute to its future growth.

Streamlined corporate structure and organization to maximize efficiency and reduce costs

The Company has adopted a "flat" organizational structure across D&L Industries, its subsidiaries, and associates, with D&L Industries providing numerous shared services at a centralized level to its subsidiaries and associates, including management, research & development, product development, warehousing and logistics, among others. This structure not only helps the Company monitor costs with respect to these services, but also to act dynamically and make quick decisions to respond to changes in market conditions. Compared to other competitors with more hierarchical organizational structures, the Company believes that it derives substantial synergies and efficiencies from its structure, allowing it a significant competitive advantage. For example, the Company believes that its well-developed logistics platform allows it to effectively supervise inventory management at its seven on-site warehouses at its production facilities. Moreover, the Company's integrated handling, storage, and delivery facilities allow it to manage its distribution capabilities more efficiently across its businesses.

Well-positioned to benefit from industry trends and increasing demand for environmentally friendly products

The continued growth of the Philippine economy has resulted in both a rise in consumer spending and an expansion of the service sector. This rapid growth has led to an expansion of the industries in which the Company's customers operate, such as those related to food and beverage, quick-service restaurants, packaging, furniture and other household products. The Company believes it is well-positioned to capture the opportunities such industry trends have presented due to its leading position in its respective businesses.

In addition, the Company believes the demand for certain of its products will further increase in light of the increasing focus on the implementation of environmental protection policies by the Philippine government and other governments. For example, the Government passed Republic Act 9367, known as the Biofuels Act of 2006, which mandates that all diesel fuel contain biodiesel, a main product of the Company's oleochemicals business, at a concentration of 2% from 2009. The Government is considering increasing this mandate to 5%, which the Company believes will increase the market and Chemrez's corresponding market share.

Centralized location and strong logistics platform

The Company's plants are strategically located within easy reach of suppliers and customers. Its food ingredients plant is located at Mercury Drive, Quezon City, within the vicinity of several food manufacturing and warehousing facilities. The Company's refined vegetable oils and fractionated oils processing plant and tank are located in Sta. Ana, Manila, which is accessible by barge through the Pasig River, a main river that traverses through Metro Manila. The DLPC plastics facility is located at the PEZA zone in Canlubang, Laguna, where several of its clients are located. The FIC plant, Aero-Pack and Chemrez plants are all located in Brgy. Bagumbayan, Quezon City which is centrally accessible. This common centralized location allows the Company timely and cost-effective deliveries of both raw materials from suppliers and the Company's products to customers. The Company owns and maintains a fleet of 42 road tankers with a total capacity of over 1,000 MT.

Refined vegetable oils storage capacity provides protection against pricing volatility

The Company's tank farm in Sta. Ana, Manila and Mercury Plant have the largest rated capacity in the Philippines. During the past few years, the prices of certain vegetable oils in the global market have experienced periods of volatility. The storage capacity of the Company allows it to physically hedge its vegetable oil purchases, making larger purchases when prices decrease, and reducing purchases when prices increase. This allows the Company to competitively price its products and maintain customer satisfaction.

BUSINESS STRATEGIES

Maintain market leading positions in its respective markets and businesses

The Company intends to maintain its market leading positions in the industries in which it operates by leveraging its existing long-term relationships with its customers and research and development capabilities to produce tailor-made solutions that meet each customer's evolving needs. The Company believes that relationships will continue to be the key driver in developing business opportunities and increasing sales. It intends to increase training for specialized marketing teams for each of its business lines to better market the Company's design and research and development capabilities. The Company intends to maintain close contact with its customers and seeks to understand their businesses better in order to offer them a marketable range of products, as well as potentially cross-sell other Company products.

Continuously innovate to develop new or more efficient products

The Company intends to continuously innovate to develop and introduce new or more efficient customized and specialty products for its customers. Utilizing its considerable experience and track record in its businesses, along with its technical expertise and research and development

resources, the Company intends to keep abreast of technological advancements and process improvements and integrate and apply these to its operations. The Company also intends to take advantage of its strong relationships with its large key customers by taking and utilizing the valuable feedback from the customers to develop new customized products to anticipate and meet their requirements. The Company believes that paying close attention to advances in the market and constantly seeking to innovate and develop new or more efficient products is key in its businesses.

Capitalize on the growing Philippine domestic markets

Many of the end-use products which contain the Company's products are marketed to middle-class consumers. The Company believes that the Philippine middle class will continue to grow, increasing demand for added value products such as specialty foods and a variety of consumer goods. Such retail consumer demand will in turn increase demand for the Company's products, such as food ingredients, engineered polymers, oleochemicals, and aerosol products. In particular, the Company expects demand for household items produced by its aerosol business line, such as household insect control products, air fresheners, furniture polish and personal care products to increase significantly with the increase in household consumers' disposable income.

The Company believes it is well positioned to benefit from the expected economic growth of the Philippines in both the industrial and consumer sectors. The Company plans to meet the increased demand through a number of strategies, including increased capital expenditures for plant expansion, research and development to create new product lines and improve production processes, and increased marketing campaigns to bring attention to the Company's various products such as attendance of technical marketing trade shows.

Economic growth will also drive demand for energy, which the Company believes will result in increased sales of biodiesel, a major product of Chemrez. The Philippine government's policy of encouraging "green" energy and energy independence should also contribute to increased demand for biodiesel from Chemrez.

Continue to improve business and production processes

The Company intends to improve the efficiency of its management and production processes by maintaining a flat management structure, an integrated, centralized research and development platform and committing sufficient capital to equipment upgrades and related training. The Company will ensure that senior management is apprised of trends in the Company's various industries and works with production teams to adopt the newest technologies to maintain a competitive advantage as well as enhance the Company's reputation as a market leader. The Company intends to periodically reassess its management techniques and production processes for areas of improvement, as well as continually seek more cost-effective sources of raw materials and more efficient operating and production models. The Company will devote research and development resources to maximize the production value of newly adopted equipment and make incremental improvements to such equipment. Adequate resources will be devoted to training production staff and marketing staff.

Pursue international expansion opportunities

The Company intends to continue to expand sales in its various industries to the international market by expanding sales to current customers that use the Company's products in the

Philippines to include the affiliates and operations of such companies in foreign markets. The Company also intends to increase its visibility internationally through the increased use of agents and by participating in industry exhibitions abroad and entering into strategic alliances with established manufacturers and marketers in select foreign markets.

HISTORY

The Company is a family-owned corporation established in 1963 by brothers Dean and Leon Lao as a sole proprietorship and was the first company to offer custom-blended colorants to the Philippine plastics industry. Initial operations comprised sourcing and supplying colorants and color matching services to the Philippine plastics industry. In 1971, the Company incorporated and expanded into manufacturing, marketing and distribution of colorants, chemicals and additives for plastics, paints and inks. By 1985, the Company had expanded its operations to include food ingredients and operated in various industries through divisions. The Company began a gradual restructuring in 1985, placing its various operations into new subsidiaries of D&L Industries, and expanding and modernizing its production capacities. Further details of each of these subsidiaries are provided below:

Oleo-Fats and DLPF – During the Philippine currency crisis in the mid-1980s, the Company sought business opportunities that were not reliant on imported raw materials. With coconut oil being the most abundant raw material indigenous to the Philippines, the Company decided to look for products which it could manufacture using coconut oil as a raw material, and in 1987, Oleo-Fats was established. Oleo-Fats' first batch-type chemical refining line was commissioned in that same year, while its first continuous refining plant was commissioned in 1998. Oleo-Fats' specialty food ingredients business was introduced in 2006 to further boost growth and profitability, and Oleo-Fats continues to develop new products and services serving the food industry to ensure continuous growth. More recently, Oleo Fats formed a subsidiary, D&L Premium Food Corp. (DLPF), in 2017. DLPF will undertake the expansion of the export operations of the food segment and the construction of a new plant that will sit in a 26-hectare property in First Industrial Township (FIT), a Special Economic Zone, in Batangas. DLPF is a PEZA-registered exporter of vegetable fats and oils and specialty food ingredients.

FIC and DLPC – While custom-blended colorants for plastics was the initial and primary business of the Company when it was established in 1963, FIC was only incorporated in 1988 for the manufacture of color masterbatches, plastic additives and color compounds. DLPC was incorporated in 2006, as a PEZA-registered enterprise for the manufacture and export of these same products, including specialty engineered polymers.

Chemrez – In 1989, D&L spun-off its powder coating division into an affiliate company, Corro-Coat, Inc., which listed on the PSE in 2000. In 2006, Corro-Coat, Inc. acquired through a share exchange transaction Chemrez Inc., an affiliate company controlled by Dean and Leon Lao and other members of the Lao family, which manufactured resins, oleochemicals and other specialty chemicals, and also acquired from the Company oleochemical plant assets, including the Philippines' first continuous-process biodiesel plant, based on technology imported from Germany. These business acquisitions were financed mainly from the additional offering of primary shares of Corro-Coat, Inc. in 2006, following an increase in its authorized capital from ₱1.0 billion to ₱2.0 billion. As part of its branding strategy for its business diversification, Corro-Coat, Inc. changed its name to Chemrez Technologies Inc. (CTI). At that time, D&L only owned only 34.0% of CTI, while the rest was owned by the public. In 2014, D&L acquired all the

outstanding shares of CTI it did not own at that time for ₱6.00 per share through a public tender offer. As a result of the tender offer, CTI became a subsidiary of D&L.

Aero-Pack – The Company commenced operations with respect to aerosol products in 1976, designing and developing customized aerosol products focusing on maintenance chemicals and home and personal care products. Aero-Pack also supplies three-piece aerosol cans and components, which comprise the majority of aerosol product requirements in the Philippines. The Company spun off this business when Aero-Pack was incorporated in 1989. Aero-Pack's business has evolved to also include customization of non-aerosol products for personal care, general sanitation and hygiene use. Hence, this segment was renamed from Aerosols to Consumer Products ODM (Original Design Manufacturer).

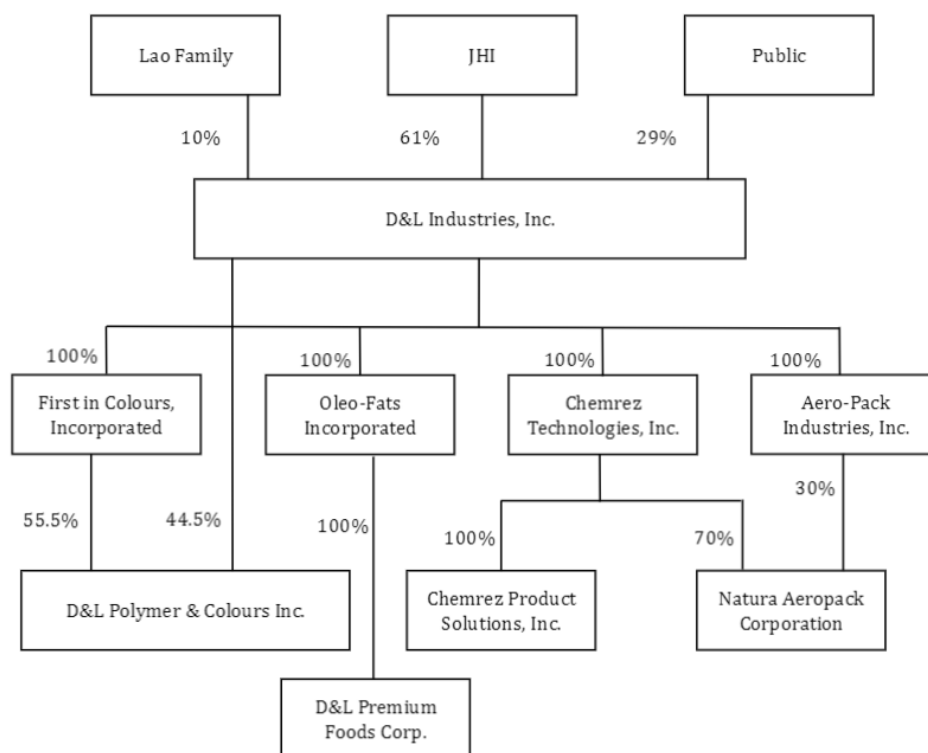
NAC- Natura Aeropack Corporation (NAC) was incorporated in 2016 and is 70% owned by CTI and 30% owned by Aero-Pack. NAC is a PEZA-registered export enterprise which will engage in manufacturing and exporting of coconut oil fractions and coconut-based surfactants and downstream consumer products. NAC is part of the Company's expansion plans and is building its plant in FIT in Batangas as well.

In 2012, the Company embarked on a general corporate reorganization, wherein ownership of various companies owned by the Lao Family, such as Oleo-fats, FIC, DLPC and Aero-Pack were fully consolidated into the Company. The reorganization, which was completed in July 2012, resulted in the Oleo-Fats, FIC and Aero-Pack becoming wholly-owned subsidiaries of the Company, with DLPC also being effectively wholly-owned by the Company. CTI became a wholly-owned subsidiary of the Company in 2014 after completion of the public tender offer.

In 2015, the Company's authorized capital stock was increased from Four Billion Pesos (₱4,000,000,000.00) divided into Four Billion (4,000,000,000) common shares with a par value ₱1.00 each to Eighteen Billion Pesos (₱18,000,000,000.00) divided into Eighteen Billion (18,000,000,000) common shares with a par value of ₱1.00 each. Simultaneously, the Company issued a 100% stock dividend, which was taken from the increase in authorized capital stock. The issuance of stock dividends in 2015 brought the total issued and outstanding common shares from 3,571,428,995 shares to 7,142,857,990 shares.

ORGANIZATIONAL STRUCTURE

As of June 30, 2021, D&L Industries is 61%-owned by Jadel Holdings Co., Inc. (JHI) and 10% directly owned by the Lao family. The public holds the remaining 29% of the shares outstanding. The following diagram shows the corporate structure of the Company as of said date.



Note: D&L Industries, Inc. provides management services to its subsidiaries and affiliates, including executive management, administrative support, logistics support and technical services. For more information, see “Business – Management and Administration.”

OPERATIONS

The Company is a holding company, which primarily derives its revenues and income, and conducts its operations in four major industries through its subsidiaries. A table detailing the contribution of each of the four segments to the Company’s total revenues for the periods indicated, is set out below:

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
(in millions of Pesos)					
Revenues					
<i>Sales</i>					
Food ingredients	14,146.8	12,757.8	12,786.6	3,389.7	4,314.1
Oleochemicals	8,104.0	5,749.4	5,583.8	1,329.0	1,713.6
Colorants and plastic additives	3,547.4	3,155.9	2,574.7	731.6	817.1
Consumer products ODM	901.9	850.7	1,087.5	252.3	297.7
Management and Administrative ⁽¹⁾	2,532.2	2,526.9	1,845.7	117.2	167.3
Eliminations ⁽²⁾	<u>(2,689.7)</u>	<u>(2,654.9)</u>	<u>(2,139.3)</u>	<u>(147.8)</u>	<u>(305.8)</u>

Total Revenues	<u>26,542.6</u>	<u>22,385.8</u>	<u>21,739.0</u>	<u>5,672.0</u>	<u>7,004.0</u>
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Notes:

(1) Other income comprises management service fees derived by the Company from providing management service to its affiliates.

(2) Eliminations comprise management service fees billed to subsidiaries and sales of goods and services between subsidiaries.

Food Ingredients

Overview

The Company, through its subsidiary, Oleo-Fats, is the leading manufacturer of industrial fats and oils, specialty fats and oils, and specialty food ingredients in the Philippines. It serves local and international customers across the food and beverage industry including noodles and snack food manufacturers, dairy and culinary companies, food service companies, biscuits and confectionery manufacturers, and bakeries. To complement its food offerings, the Company also offers food safety solutions such as customized cleaning and sanitation systems and services.

Products

Below are the key products of the Company.

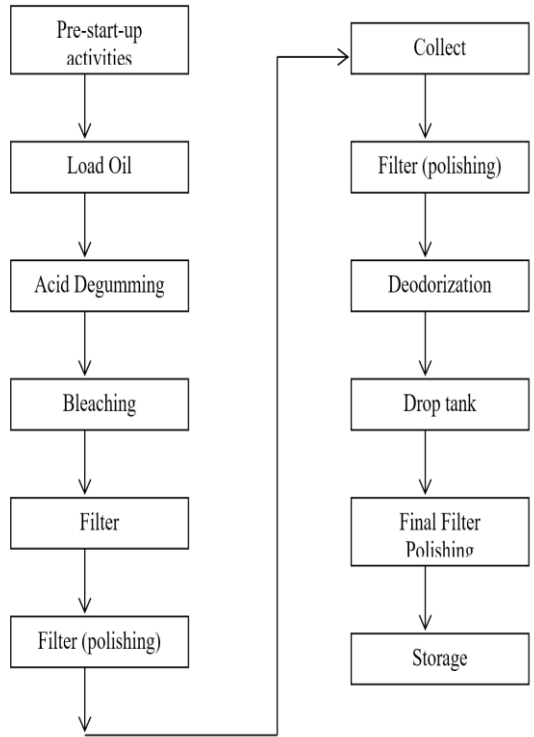
- *Refined vegetable oils.* Products include refined, bleached and deodorized palm oil, palm olein, palm stearin, palm kernel oil and coconut oil. This also includes other trading items such as soybean oil, rapeseed oil, corn oil, sunflower oil and customized oil blends.
- *Specialty fats.* Products include margarines, confectionery fats, cocoa butter substitutes, milk fat substitutes, creaming fats, ice cream fats, culinary fats, frying fats, shortenings and customized fats.
- *Specialty ingredients.* Products include dry mixes such as flour mixes, culinary mixes, seasoning mixes and soft serve ice cream mixes; liquid mixes such as chocolate coatings, chocolate blocks, condensed milk, syrups and ripples, and chocolate fudge; and condiments such as real mayonnaise, dressings, liquid seasoning, customized culinary sauces and dips.
- *Food safety products.* Products include kitchen and food preparation cleaners, hand soaps and sanitizers, surface sanitizers, maintenance cleaning and degreasing materials and heavy-duty clean-in-place (“CIP”) cleaners, dishwashing machine cleaners, all-purpose manual cleaners, and housekeeping and room care products.

Production Process

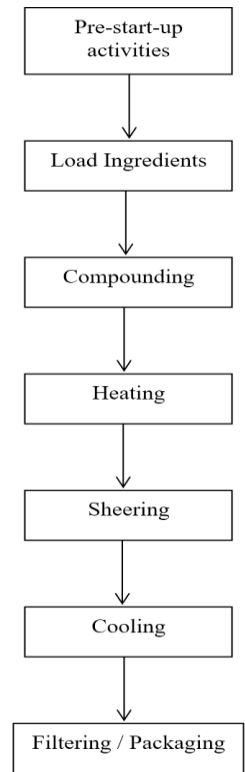
Production of the Company’s food ingredients products generally consists of three stages: 1) physical oil refining and filling, 2) dry mixing and liquid compounding, and 3) fats and oils modification.

Summary flowcharts of the Company’s main production processes appear below.

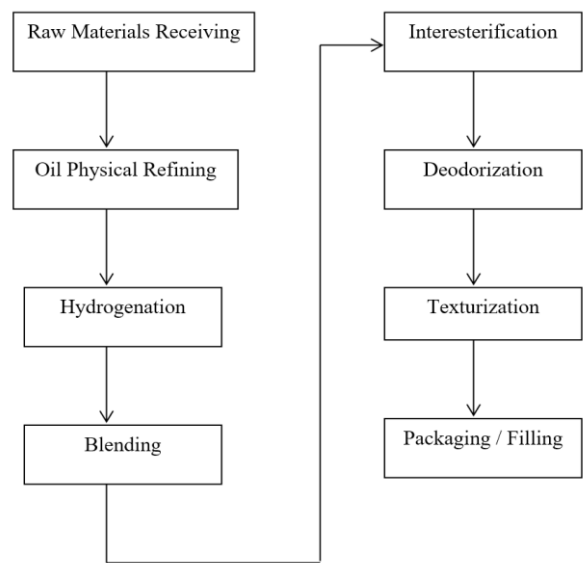
Physical Oil Refining and Filling



Dry Mixing and Liquid Compounding



Fats and Oils Modification



Facilities and Production Capabilities

The Company's food ingredients products are manufactured in state-of-the-art food processing facilities in Bagumbayan, Quezon City, and Punta, Sta. Ana, Manila, which operates under stringent quality assurance and food safety standards and has an aggregate processing capacity of approximately 500,000 metric tons per annum ("MTPA"). The facilities are capable of converting crude vegetable oil feedstock to edible grade oils and fats, and have specialty products lines supported with versatile packing systems such as a drumming facility, cartoning lines, tin filling and bottling lines.

A table showing key aggregate operating statistics for the Company's food ingredients production facilities for the quarter ended March 31, 2021 is set out below.

Facility name	Products Produced	No. of production lines	Rated Capacity (MTPA)	Capacity Utilization (MTPA)
Mercury Plant (Quezon City)	high-value food ingredients, marine fats, refined vegetable oils, hydrogenated oils	40	260,000	60%
MRI Plant (Manila)	Refined vegetable oils, fractionated oils	12	240,000	70%

The Company has extensive product design capabilities given its fully equipped development lab, test kitchen, and pilot test plants which it uses to develop and test new products to further diversify existing major product lines or create entirely new product lines. It also has a fully equipped quality assurance and microbiological laboratory with advanced analytical equipment to ensure the quality and safety of raw materials and finished goods as well as to ensure comprehensive traceability in case of product recalls. The company's plants have FSSC 22000 and Halal Certifications. These plants are also capable of catering to the Company's various export customers in Asia as well as in the US and Europe.

At the time of writing this prospectus, the Company is also constructing new manufacturing facilities in the First Industrial Township (FIT) park, located in a Special Economic Zone in Tanauan, Batangas. Once operational, the new capacity will cater to two of the Company's subsidiaries: D&L Premium Foods (DLPF) and Natura Aeropack Corporation (NAC). These integrated facilities will be key to realizing the Company's export goals and will house the manufacturing of primarily high margin specialty products, such as customized food ingredients, oleochemical based homecare, personal care and baby care products.

Raw Materials and Suppliers

The key raw materials for the Company's food business are palm oil, coconut oil, other vegetable oils, flavorings, and feedstocks for specialty oils. These raw materials are considered commodities which are readily available at market prices from numerous local and international sources, and the Company has not and does not expect to encounter any material difficulties in sourcing any of the raw materials. The Company mainly sources raw materials from Southeast Asia and Europe. The Company is not dependent on a single or group of suppliers for any of its raw materials and packaging requirements.

Competition

The Company believes that its specialty food ingredients and oils business offers the most diverse and comprehensive product portfolio in the Philippines, providing products to a broad spectrum of the food and beverage industry. By providing customized production services and continually introducing new products in response to customer requests and changing market conditions, the Company believes it has been able to maintain healthy profit margins and a competitive advantage over competitors that deal only in bulk goods, standard or commoditized products or a single product or limited number of products.

In addition, the Company's ability to provide just-in-time delivery by leveraging the logistics services of D&L Industries and the barge and terminal system operated by an affiliate company also provide a competitive advantage over international companies.

The Company's primary competitors in the Philippine food ingredients manufacturing business include Cargill Philippines, Sime Darby Pilipinas Inc., Fuji Oil Co. Ltd., Goodman Fielder International Philippines Inc., Wilmar International Ltd. and Caraga Oil Refining, Inc. For its food safety solutions, the Company's competitors generally comprise multinational corporations.

Customers

The Company's customers are mainly the well-known food companies in the Philippines. The Company also exports its various food ingredients mostly to Asia and some parts of Europe and US. The Company generally caters to companies in the snack, dairy, biscuit, food service, hotel, and bakery industries.

Oleochemicals, Resins and Powder Coatings

Overview

The Company, through Chemrez and its subsidiary CPSI focuses on developing, manufacturing, and supplying the highest quality resins, oleochemicals, and specialty products that are green and cost-efficient, without sacrificing ethical standards.

Products

Oleochemicals

In line with the company's practice of Green Chemistry, Chemrez has developed a lineup of products and ingredients derived from coconut oil and natural ingredients. These are collectively referred to as oleochemicals which means chemicals derived from vegetable oils. In the case of Chemrez, the company uses coconut oil as its main feedstock.

- *CME/biodiesel* - The Company, through Chemrez, is a leading producer of coco methyl ester (CME) or biodiesel which is used as an additive to diesel fuel. The Company's biodiesel facility is IMS-certified and it is the pioneer and the only continuous process methyl ester facility in the Philippines. The said facility and coco-biodiesel products are accredited with the Department of Energy and registered with the Board of Investments with pioneer status. All

automotive diesel sold in the country is blended with 2% CME, of which Chemrez serves a significant portion.

- *Specialty Coco-oleochemicals* - The Company uses coconut oil to produce an extensive line of functional ingredients such as surfactants and foaming agents used in many consumer care products. These specialty oleochemicals are a great substitute for petroleum and palm-based ingredients which are used in applications such as personal care and home cleaning products. Examples of these high margin specialty oleochemicals are outlined below:

- *Savonel* - a coconut soap to replace petroleum-derived surfactants to make body wash, hand wash, laundry and dishwashing soaps. Being natural, it has a smaller carbon footprint and makes rinse-off cleaning products easily biodegradable.
- *Cerin* - a range of natural light emollients derived from coconut oil. It moisturizes and protects dry skin without leaving skin greasy. It substitutes petroleum-derived mineral oils in the formulation of skin and hair care products. It is an antioxidant that helps reduce cell damage and provides a barrier by forming a thin layer on skin.
- *Cocolatum* - an all-natural replacement for petrolatum or petroleum jelly. It functions as a moisturizer, lubricant or ointment for skin. It is rich in Lauric acid which is known for its antibacterial property. It forms a thin layer that acts as a skin moisture barrier and contains an antioxidant that helps reduce cellular damage.
- *Coconut butter* - a skin butter designed for intensive moisturization. It is rich in lauric acid that is known for its natural antibacterial property that can help reduce acne. It aids in skin's natural collagen production and smoothens the skin.
- *Nat-pro* - a natural preservative for cosmetic products. It functions as a natural broad-spectrum antimicrobial and preservative.
- *CocoMCT®* - is a medium chain triglyceride derived from coconut oil. It is used in pharmaceutical, food, and beverage applications, as well as carriers for flavors, colors, and vitamins. It is an all-natural body booster that provides energy for muscles during strenuous physical workouts. It helps strengthen the immune system as it has natural antiviral, antibacterial, and antifungal properties. CocoMCT® is available in oil and powder formats.
- *Liquid Coconut Oil (LCO)* - brings the healthy goodness of coconut oil to export markets. When coconut oil normally turns solid in cooler climates, LCO remains pourable even when temperature drops to 5 degrees celsius. It is used as a salad oil and healthy cooking.

Powder Coating, Resins and Other Products

Chemrez has over 30 years of experience and expertise in the manufacture and marketing of powder coating, resins, and other specialty resin-based chemicals, having essentially pioneered the production of powder coatings in the Philippines.

- *Powder coatings.* Powder coatings are protective coating materials applied to metal and other surfaces through an electrostatic coating process to provide resistance against heat,

weather, UV light and certain chemicals. They are used in home appliances, metal furniture, fixtures and fittings, mechanical parts, tools and equipment and also in the construction industry.

- **Resins.** Resins are polymers manufactured in accordance with a variety of technical specifications to suit specific industry uses, end-user applications, and customer requirements. They include polystyrene resins for the plastics industry, acrylic emulsions for paints, and polyester for the construction, shipping, and furniture industries.
 - **Polystyrene.** Polystyrene is an aromatic polymer made from the monomer styrene, a liquid hydrocarbon that is manufactured from petroleum. Highly commoditized, it is one of the most widely used plastics today, used to manufacture such products as disposable cutlery, plastic models, compact disc cases, packaging materials, insulation and foam drink cups. The end product is delivered to customers in the form of plastic pellets. Raw materials comprise by-products of crude oil refining and are sourced from overseas sources.
 - **Acrylic emulsions** are water-based polymers used to make paints, adhesives and textile binders and additives. Latex paints and cement modifiers are a growing trend as the construction industry moves away from solvents to water-based technology.
 - **Polyester.** Chemrez produces unsaturated polyesters used to manufacture a variety of resins for fiber reinforced plastics (primarily fiberglass) and composite plastics, such as artificial stones and figures.
- **Other Products.** Other specialty chemicals produced by Chemrez include resins and additives. These products are used in industries such as paints and coatings, foam, textile, tape and adhesives, construction, plastics, oleochemicals and fiber-reinforced plastics. Chemrez also provides total product solutions to its customers, such as customized product formulation for private label products.

Production Processes

Oleochemicals

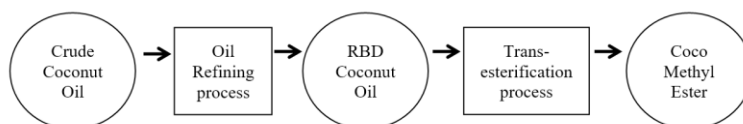
Oleochemicals, such as CME, are produced from the refining and transesterification of coconut oil. Initially, crude coconut oil undergoes physical refining to remove natural impurities and produce refined, bleached and deodorized (“RBD”) coconut oil.

Afterwards, RBD coconut oil goes through a transesterification process in which RBD coconut oil is reacted to produce CME and its by-product, glycerine.

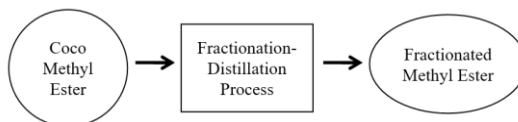
CME can be further distilled and “fractionated” to produce several “cuts” of other methyl esters. Fractionation of CME basically involves separating CME carbon chains to three different products namely: short chain (C8-C10 esters), medium chain (C12-C14 esters), and long chain (C16-C18 esters) methyl esters. These fractions are used to produce a wide variety of surfactants such as super amides and betaine.

The following diagrams outline the basic production process used in the Company’s manufacture of CME, methyl esters and specialty surfactants.

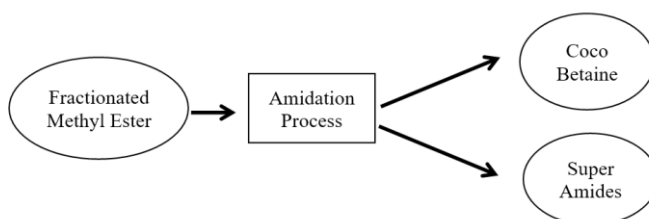
Process for producing CME



Process for fractionating methyl esters



Process for producing specialty surfactants



Facilities and Production Capabilities

Chemrez’s three production facilities are situated in Brgy. Bagumbayan, Quezon City. A table setting out key aggregate operating statistics for the Chemrezl production facilities for the quarter ended March 31, 2021 is set out below:

Facility name	Products produced	No. of production lines	Rated Capacity (MTPA)	Capacity Utilization
Oleochemicals Facility	Amides, Methyl esters, Glycerides	6	110,000	45%
Resins Facility	Polystyrene, Emulsions, Unsaturated Polyesters	3	55,000	38%
Powder Coatings Facility	Powder Coatings	3.5	3,840	50%

Raw Materials and Suppliers

Chemrez’s primary raw materials for its products are set out below:

- *Oleochemicals*

- *Coconut oil* – main ingredient from which fatty acids and glycerides are derived to produce all oleochemicals;
 - *Amines* – combined with coconut oil to produce foam boosters; and
 - *Alcohol* – combined with coconut oil to produce esters.
- *Resins*
 - *Monomers* – building blocks for all polymers;
 - *Surfactants and catalysts* – initiate the polymerization of monomers to build polymers; and
 - *Epoxy and polyester resins* – impart a coating’s performance and properties.
 - *Powder Coatings*
 - *Pigments* – impart finished color and effects to coated surfaces.

These raw materials are sourced mainly from a large number of local and international suppliers. The major suppliers to the Chemrez’s business include Eastman Chemical Ltd., Itochu Corp. and Kolmar Group AG. No supplier accounted for greater than 5% of Chemrez’s aggregate cost of sales and services for the three months ended March 31, 2021, and Chemrez believes that alternative suppliers are readily available for its raw material requirements. In addition, Chemrez has and will continue to purchase certain raw materials through spot purchases on the open market from time to time. As a result of the general availability of these raw materials, Chemrez has not and does not expect to encounter any material difficulties in sourcing any of its required raw materials.

Competition

Chemrez is a dominant player in the industries it is in. The company is able to maintain its market leadership through competitive pricing, consistent quality, and the ability to offer product customization, as well as the provision of on-site after-sales technical support. Chemrez also continues to invest in research and development to develop new products with improved and innovative features. Chemrez leverages its extensive market knowledge gained through significant interaction with its customers and research and development expertise to respond quickly to customer requirements and offer newer and better products.

In the biodiesel space, the main competitors are the 14 other DOE-accredited biodiesel manufacturers in the Philippines such as Tantuco Enterprises, Inc., Mt. Holly Coco Industrial, Inc., JNJ Oleochemicals, Inc., and Pure Essence International, Inc., among others.

In the specialty oleochemicals space the company competes in the global market against companies like KAO Chemicals, Stepan Company, Solvay S.A., Musim Mas, and Wilmar International. In the resin and powder coating industry, the company competes with companies such as Dow Chemicals, BASF, and BLJ Resources and Chemicals.

Customers

The Company’s main customers include brand owners of personal care, home care, and health care products, petroleum and oil companies, paint companies, job coaters, construction companies, and various industrial customers. These customers are mainly located in the

Philippines. The company also exports to Asia and other developed economies such as US, Europe, and Australia.

Specialty Plastics

Overview

The Company, operating through subsidiaries First in Colours, Inc. (FIC) and D&L Polymer and Colours, Inc. (DLPC), develops and manufactures innovative plastic solutions that make plastics aesthetically appealing, functional, and sustainable. The group's products are mainly classified as plastic colorants, additive masterbatches, and engineered polymers. Plastic colorants give plastics precise coloring and special effects mainly used for brand and product identification. Additive masterbatches add functional features to plastics such as higher processability, antimicrobial properties, and anti-static properties. Meanwhile, engineered polymers are plastic compounds that have improved mechanical and thermal properties that make them ideal for films, bottles, furniture, appliances, electronic and automotive parts, etc. Lastly, the group offers sustainable options such as compostable plastics, biodegradable plastics, bio-based plastics, recycled compounds, and upcycled materials.

Products/Services

The Company's products are classified into four categories which are i) color preparations, ii) additive preparations, iii) customized and engineered polymer compounds, and iv) alternative and sustainable polymer materials.

Plastic color preparation

Leveraging on its R&D expertise, the Company developed a unique and proprietary set of fully dispersed and highly concentrated plastic colorant under the Colormate® product line. These are customized colorants to make plastic products and packaging appealing and beautiful. These products ensure worry-free and consistent coloring during plastic extrusion and molding.

- ***Color masterbatches.*** Plastic colorants that are pre-dispersed in polymer pellets to produce well distributed, easily mixed, non-dusting, and well dispersed colorants. The company offers a wide range of products from market standard colors to customized colors, and from large volume utility grades to high performance grades.
- ***White masterbatches.*** Titanium Dioxide concentrate dedicated for white and opaque colors. The Company offers a wide range of grades that can contain up to 80% TiO₂ loadings, from large volume utility grades to high-performance grades.
- ***Black Masterbatches.*** Carbon Black concentrate dedicated for black and jet colors. The company offers a wide range of grades that can contain up to 40% pigment loadings, from large volume utility grades to high-performance grades.
- ***Effects Masterbatches.*** These are masterbatches that impart special effects such as pearlescent, metallics, fluorescents, phosphorescent and marbling. These can be further customized to meet the specific needs of customers.

- *Dry Blend*. These are pigment-only formats ideal for small volumes for prototyping needs in the plastic converting industry.

Plastic additive masterbatches

These are plastic additives which add desired qualities such as a particular texture or strength.

- *Biomate*. This is the Company's proprietary mixture of prodegradant catalyst additives that when added to conventional plastics such as polyethylene and polypropylene, makes them decompose by oxidation and biodegradation. Typical applications for this product include carrier bags or shopping bags, refuse sacks, aprons, garbage bags and bin liners, disposable gloves, plastic sheeting for a variety of applications in agriculture and horticulture, bread bags, frozen food bags, wrappers for cigarette packets and cartons, shrink-wrap, pallet-wrap and bubble-wraps

- *Polymate*. This is the Company's proprietary line of additive concentrates designed to enhance performance of conventional plastics such as polyethylene and polypropylene. Polymate products include:

- *Processing aids*. These additives improve the efficiency in the plastic manufacturing process. These work by preventing the molten polymer from sticking in the production equipment such as screws, barrels, and dies. This results in the reduction of energy, back pressure, and scrap material, as well as the elimination of die buildups and melt fracture. Typical applications include multilayer packaging films like soap and detergent packaging, diaper packaging and food packaging, as well as bottle molding;
- *Slip/anti-block agents*. These additives reduce surface friction and the tendency of thin films to adhere to each other. Typical applications for these additives include bags, sheets used in lamination and multi-layer films in food packaging;
- *Antistatic agents*. These additives prevent the build-up of static electricity in plastic resins. Static electricity may create undesirable handling situations such as slowdown due to clinging and sticking, visual imperfection due to dust and dirt attraction, fire/explosive hazard due to sparks from static, and electronic product damage. Typical applications for these additives include electronic film packaging, powder bottles and caps and food containers;
- *Ultraviolet ("UV") stabilizers*. These additives extend the service life of plastics by inhibiting their degradation caused by light sources as well as protecting bottle contents from UV damage. Typical applications for these additives include greenhouse films, crates, outdoor furniture, baby lotion bottles, mouth wash bottles, sacks and ropes;
- *Clarifying agents*. These additives enable plastic processors to reduce haze and enhance the clarity of polypropylene. Typical applications for this additive include housewares, beverage cups, and lids;
- *Purging compounds*. These compounds reduce clean up time, resin waste and electricity utilization. These compounds are typically used in plastics products manufacturing, as well as in blow molding of bottles and injection molding of caps, crates and appliances.

- *Polymix*. It is a proprietary mineral-filled polymer improver/modifier intended for plastic film and bottle applications, and is mainly used by film and bottle converters wanting to

produce clean and opaque products at the highest efficiency while at the same time reducing costs, since Polymix is priced lower than resins such as polyethylene and polypropylene.

- *Polyblend.* It is a proprietary specialty mineral concentrate used in appliances, automobiles and outdoor furniture.

- *Freshmate.* This includes a range of additives to create modified atmosphere packaging (MAP) and antimicrobial functionality. When added to conventional plastics such as polyethylene and polypropylene, Freshmate MAP enables film packaging to slow down the ripening of certain fruits and vegetables. A typical application of these additives is mango box liners. Freshmate antimicrobial additives are used to create anti-microbial/anti-algae/anti-mold plastics which can protect finished products from deterioration, discoloration and odors due to microbial action. Typical examples for this application include agricultural films, barrier films, mats, household appliances, computer parts, packaging, pipes, wires and cables, vinyl sheets, shower curtains and window profiles.

Engineered polymers

The Company manufactures a variety of custom engineered polymers, using a wide range of locally and internationally available resins and compounds, additives, fillers and colorants, to create custom designed and formulated polymers that customers use for extruding, forming or molding their products. End-use products containing the Company's engineered polymers include soft and rigid PVC compounds such as automotive wiring, building wires, bottle cap liners, semiconductor packaging, rigid bottles and building products; polyolefin compounds such corrugated tubing, indoor and outdoor furniture and packaging film; and styrenic compounds commonly used in appliance casings and similar parts.

Alternative and Sustainable polymers

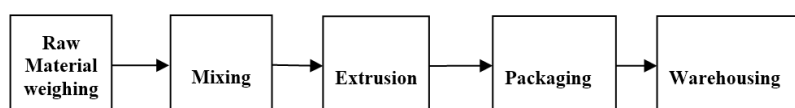
- *Biorez®* is the Company's proprietary line of bio-based compounds and biodegradable products. Biorez® BC 9100 and 9200 grades are certified and seedling registered compostable polymer materials. These are formulated as a sustainable alternative for single-use plastic products such as carryout bags, straws, cups, and cutlery. These are compounds engineered to be durable while using sustainable plant-based polymers.

- *Bio-Plast* is a starch-based, environment friendly compound that is 100% biodegradable and can replace foamed polystyrene, a non-biodegradable material, in manufacturing loose fillers or packing peanuts.

The company also engages in various R&D and concept-realization projects focusing on the use of non-polymer materials such plant/wood fibers and mineral-based materials, post-consumer waste recycling, residual plastic upcycling, and natural polymer compounding. These projects aim to develop applications such as materials for single-use plastic alternatives, carbon footprint reduction or neutralization, plastic waste footprint diversion, and various recycling and upcycling applications.

Production Process

The typical production process for compound and masterbatch production generally proceeds as follows:



Compounding and masterbatch production consists of preparing plastic formulations by mixing and/or blending polymers and additives in a molten state. Plastic compounding typically involves several basic steps. Base polymer materials, most commonly polyethylene or polypropylene, are weighed and heated to a molten state. Additives in the form of pellets, flakes, or powders are conveyed to a container of the molten base polymer material. The mixture goes through a number of blending and dispersion steps to incorporate these additives into the base material and achieve a homogeneous final product. Processing may also include steps to reduce the chemical volatility of the material. Once all processing steps are complete, the material is cooled and extruded into pellets, which are then packaged for distribution or sale. Critical criteria, such as heat regulation and dispersive and distributive mixing, must be monitored and controlled to ensure a quality end-product.

Facilities and Production Capabilities

The Company operates two state-of-the-art facilities in the Philippines for the production of colorants and plastics additives, located in Quezon City, Metro Manila and Laguna, south of Metro Manila.

The Quezon City facility is located next to the Company’s headquarters, and as such the Company’s colorants and plastics additives production and design teams have ready access to the Company’s shared research and development facilities, including certain state-of-the-art analysis and testing equipment.

The Company’s Laguna production facility has a gross lot area of 4.3 hectares. Situated in the fast-growing Laguna region south of Metro Manila in a Philippine Economic Zone Authority (“PEZA”) approved special economic zone, the Company’s subsidiary DLPC is registered with PEZA as an export-oriented manufacturing and services facility.

A table setting out key aggregate operating statistics for the Company’s colorants and plastics additives production facilities for the quarter-ended March 31, 2021 is shown below.

Facility name	Location	Gross floor area (m²)	Products produced	No. of production lines	Rated Capacity (MTPA)	Capacity Utilization
DLPC	Canlubang, Laguna	20,000	Plastic colors and additives, engineered polymers	22	70,000	70%
FIC	Bagumbayan, Quezon City	5,000	Plastic colors and additives	7	15,000	80%

Raw Materials and Suppliers

The Company's main raw materials include pigments, resins, and other chemical additives. The Company procures these materials from various local and international suppliers. While the company has generally good relationships with its existing suppliers, the Company believes that alternative suppliers are readily available. As a result of the general availability of these raw materials, the Company has not and does not expect to encounter any material difficulties in sourcing any of the raw materials for the operations of FIC and DLPC.

Competition

The Company has the longest history in the Philippine plastics color and compound industries. Its brands have been trusted by its clients and partners for nearly 60 years for their customized plastic requirements for various plastic products such as film bags, laminates, liners, molded plastic products and parts, wires and cables, high-end fibers and other engineered polymers. The Company believes that its strong R&D capabilities as well as its ability to customize products for its customers are its core competencies. With its long history and its strong competitive advantage, the Company believes that it is a dominant player in the industries it is in.

The Company's competitors in the engineered polymers sector primarily include Crown Asia Compounding Corporation, Tosoh Corporation from Japan, and other domestic and regional importers; while its competitors in the colorants and additives sectors include local manufacturers and importers such as Ampacet, Avient, Malion, and Schulmann.

Customers

The Company's colorants and plastics additives business has a broad and diverse customer base, consisting of over 1,000 companies operating in a wide range of industries, including food and beverage, automotive, household and personal care, and electronics, among others. These customers are located across the Philippines and in various regions around the world. The Company markets its products, either directly or through an agent, in European countries such as Hungary, Italy and Slovenia; in the Americas in Brazil, Canada, Guatemala, Mexico, Peru, and the United States; in the Middle East in Egypt, Lebanon and Turkey; and in Asian Pacific countries such as Australia, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Taiwan, Thailand and Vietnam.

Consumer Products Original Design Manufacturer (previously referred to as Aerosols)

Overview

The Company, operating through its subsidiary Aero-Pack Industries, Inc., is a full original design manufacturer (ODM) and original equipment manufacturer (OEM) that offers customized aerosols and non-aerosols products across different industries. The Company offers a full turnkey solution from product formulation to design, packaging, production, and delivery to customers. It is the first and the biggest aerosols manufacturing company in the Philippines.

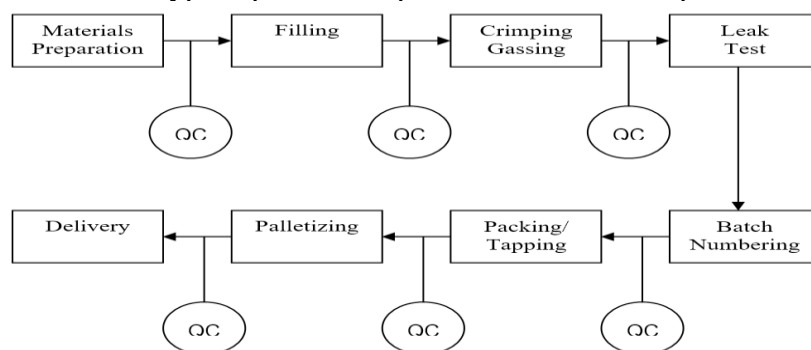
Products and Services

Below are the key industries and products that the company manufactures:

- *Home care.* Products include insect control sprays, furniture polish, air fresheners and disinfectants, fabric fresheners, ironing aides, and upholstery and carpet cleaners.
- *Personal care.* Products include body sprays, antiperspirant sprays, deodorizing body sprays, insect repellants, face mist, hair color, hair structuring sprays, disinfectant sprays, and gel and mousse sprays.
- *Pet care.* Products include dog shampoo, anti flea and tick solution, coat conditioner, and others.
- *Maintenance chemicals.* Products include spray paints, brake cleaners, degreasers, penetrating oil, mould release sprays (silicone and non-silicone), chain lubricants, chain grease, air conditioner cleaners, automotive interior dressings, automotive upholstery and carpet cleaners, butane for lighters and portable stoves, air dusters, and contact cleaners.
- *Pharmaceutical* - Products include liniment sprays, pain relievers, and animal wound sprays.
- *Food* - Products include baking spray, pan oil spray, and bottle filling services for medium chain triglyceride (MCT) oil and virgin coconut oil (VCO).

Production Process

A summary of Aero-Pack's typical production process for its aerosol products as set out below.



The initial phase of Aero-pack's production process is materials preparation, wherein formulations, raw materials and other components are inspected and quality controlled before filling into the aerosol container. Propellant is then injected into the aerosol can, which is then tested for leaks. The resulting product is then packed for delivery to the customer. Aero-pack conducts quality control checks at each stage to ensure the performance of the product.

Facilities and Production Capabilities

The Company's manufacturing facility is located in Quezon City, Metro Manila, adjacent to the Company's management headquarters. The facility has four automated filling production lines for aerosols and another four automated filling lines for non-aerosol products in containers of varying heights and diameters. The facility conforms with German and U.S. quality standards.

The facility can produce approximately 2,500,000 cans per month, translating into an aggregate annual production capacity of approximately 30,000,000 pieces. For the quarter ended March 31, 2021, the capacity utilization of Aero-Pack's production facility was approximately 60%.

The Company's product formulation and development activities generally take place at the Company's own aerosol laboratory located at its plant site. The Company has a packaging development team and its own world-class testing equipment able to service a wide array of customers across various industries. The Company also uses various state-of-the-art analytical equipment provided by D&L Industries.

Raw Materials and Suppliers

The Company's major raw materials include aluminum cans, valves, spray caps, actuators, solvents, and propellants. The company sources its various components from Korea, China, Malaysia, Thailand, and Europe.

Competition

The Company is currently the largest Philippine toll manufacturer of household aerosol products; as such it competes primarily with importers of finished aerosol products, and to a lesser extent with much smaller Philippine aerosol manufacturers. The Company believes it is currently the market leader in the Philippines for home care and personal care aerosol products.

Customers

The Company's main customers include brand owners of personal care, home care, and pet care products, petroleum and oil companies, pharmaceutical companies, and food companies.

MANAGEMENT AND ADMINISTRATION

D&L Industries maintains significant operational control of Chemrez, Oleo-Fats, FIC (including DLPC), Aero-Pack, DLPF and NAC, as well as of several affiliate companies that provide goods and services complimentary to those provided by the Company, including FIC Marketing Co. Inc., FIC Tankers, Inc., Consumer Care Products Inc., Best Value Factory Outlet Corp., Malay Resources, Inc., Ecozone Properties, Inc. and LBL Industries, Inc., through a contractual "shared services" model. In particular, D&L Industries provides the following services to and earns management service fees from its subsidiaries and seven affiliate companies:

- *Executive Management* - including supervision of all business operations;
- *Administrative Support* - including finance, treasury, accounting, internal audit, human resources, information technology and legal services;
- *Logistics Support* - which includes order and delivery processing, transportation fleet management, tank farm management, port clearing and procurement; and
- *Technical Services* - which includes research and development, quality control and assurance and use of trademarks. The technical services for all business operations are concentrated in D&L Industries' research and development department, which the Company believes has been a critical driver for the success of each of its business lines.

D&L Industries maintains its own analytical laboratory that provides technical services and is located in its headquarters in Quezon City, Metro Manila. While D&L Industries continues to provide management services for this facility, specific research, development and application activities are conducted, and expenses are incurred, by each of Chemrez, Oleo-Fats, FIC (including DLPC) and Aero-Pack independently. D&L Industries' and its subsidiaries' research laboratories employ highly qualified chemical engineers, chemists, consultants, technicians and support staff who service the customers of the Company in the following industries: plastics and rubber, aerosol, paint and ink, soap and detergent, paper, adhesive, textile, cosmetics and food and beverage.

SALES, MARKETING AND DISTRIBUTION

The Company employs a decentralized sales strategy for its operations; each of the Company's subsidiaries and Chemrez have their own dedicated sales team to market to clients and provide after-sales services. These marketing team members, who are typically science or engineering graduates, are key in maintaining the Company's relationships with key clients and delivering efficient and timely customer service and feedback on the Company's products. The Company has also adopted a policy of cross-selling across its various subsidiaries and Chemrez, as typically its customers for a given industry or product are often potential customers for the Company's other products.

The Company employs a number of third-party service providers for approximately 90% of its distribution and delivery requirements. The Company also maintains an internal logistics and distribution system, with a centralized motor pool and transportation services, supported by a barging and terminal system operated by an affiliate company.

INVENTORY MANAGEMENT

In line with its overall shared services administration model, the Company provides guidelines and policies for inventory management to its subsidiaries, while day-to-day production scheduling, materials planning and inventory management are conducted at the level of each operating company. Although the Company has warehouses and storage facilities in most of its production facilities, the Company's policy is to effectively maintain inventory of materials at minimum levels so as to control costs and minimize risk. As of date of this Prospectus, the Company has twelve (12) warehouses, with a total area of approximately 98,000 m².

TECHNICAL DEPARTMENT

The Company maintains a centralized technical department responsible for research, product design and application development, as well as quality control and assurance. As of the date of this Prospectus, the Company's technical department employed a total of 162 individuals, including 68 individuals employed within the Company's quality control and quality assurance programs.

Research, Product Development and Engineering

The Company maintains its own centralized research and development laboratory staffed by experienced chemical engineers, chemists and consultants. As of date of this Prospectus, the Company's research, product development and engineering teams employed a total of 94 individuals. These teams support all customers of the Company and its businesses in the

Philippines, including customers involved in the manufacturing and sale of paint and ink, aerosols, food and beverage, plastics and rubber, paper, adhesive, soap and detergent, textiles, cosmetics, and oil and gas.

Details of the Company's consolidated research and development expenditures for the periods indicated are set out in the table below:

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	(P in millions, except percentages)				
Amount	152.28	163.13	150.16	36.75	41.34
% of revenues	0.57%	0.73%	0.69%	0.65%	0.59%
% of operating expenses	13.38%	14.32%	12.75%	12.67%	13.77%

In addition, from time to time, the Company partners and enters into technical assistance arrangements with various foreign counterparts to bolster its technical expertise and collaborate on potential new products and process improvements.

Quality Control

The Company believes that quality is important to its business and is therefore committed to quality in its raw materials, production processes, packaging and products and services delivered. The Company's quality programs ensure that its personnel and physical processes strictly comply with prescribed product and operational standards. As a result, many of the Company's facilities are compliant with ISO 9001 quality control standards. In addition, with respect to its food and beverage industry-related products and operations, the Company's facilities are good manufacturing practice ("GMP") and hazard analysis and critical control point ("HACCP") system certified by SGS, a leading international independent inspection, verification, testing and certification service provider. GMP is a well-known standardized system based on international hygiene standards, and promotes a quality-centered approach to manufacturing. On the other hand, HACCP is a systematic and scientific approach to process control, designed to prevent the occurrence of problems and issues by ensuring strict controls are imposed at all stages of the manufacturing process. Under HACCP, potential hazard points are identified, critical control points established and monitoring procedures and corrective actions are implemented at such control points.

As a part of its quality programs, the Company employs a team of personnel at each subsidiary who continuously monitor its raw material supplies and production processes and much of its production is controlled through automated, computerized systems that are regularly monitored to ensure high quality, uniform results. Each of the Company's production processes begins with an incoming materials inspection to ensure the quality of each component raw material and inspect such raw materials for potential defects and other quality-related issues. The Company also conducts routine quality assurance checks of its products at various intermediary stages of production, as well as before distribution and delivery.

HEALTH, SAFETY AND ENVIRONMENT

The Company regards occupational health and safety as one of its most important corporate and social responsibilities and it is the Company's corporate policy to comply with existing environmental laws and regulations. The Company maintains various environmental protection systems, and since its operations are subject to a broad range of health, safety and environmental laws and regulations, the Company meets periodically to review, discuss and develop goals surrounding health, safety and environmental compliance and awareness.

The Company's production facilities are fully compliant with laws and regulations related to restrictions on hazardous substances ("RoHS") and substances of concern ("SoC"), as well as internationally-recognized management system standards such as ISO 9001 (quality), ISO 14001 (environmental) and ISO 45001 (occupational health and safety). It has begun implementing energy efficiency and conservation programs in line with DOE-MC2020-05-0001. It also focuses on employee safety, utilizing risk management techniques such as Aspect/Impact and Hazard Risk Assessment and a corporate-wide productivity improvement program.

The Company's food manufacturing facilities are also Good Manufacturing Practice ("GMP") and Hazard Analysis and Critical Control Point ("HACCP") system certified by SGS, a leading international independent inspection, verification, testing and certification service provider. The Company's products and processes are likewise Halal-certified by the Islamic Dawa Council of the Philippines, Kosher-certified under Star-K Kosher, and the Company is currently seeking International Organization for Standardization ("ISO") certification for its facilities. It is compliant with Food Safety System Certification ("FSSC") 22000, the Japanese Agricultural Standards ("JAS") organic standards, the National Organic Program ("NOP") organic standards, and the European Union organic standards. It also maintains compliance with all customer audits and is an approved supplier to major domestic and multinational food companies including San Miguel Corporation, McDonald's and Universal Robina Corporation.

As a leading manufacturer of biodiesel, oleochemical products and fractionated oils for food applications, Chemrez focuses on responsible management, applying "green chemistry" technology in its products and complying with Applicable Law. In particular, Chemrez has formal certifications of compliance with respect to IMS standards such as ISO 9001 (quality), ISO 14001 (environmental), as well as ISO 45001 (occupational health and safety), FSSC, Halal, Kosher, and etc. In conducting its business, Chemrez focuses on environmental conservation initiatives such as tree planting at the Ipo Watershed in cooperation with Manila Water, a water and wastewater services utility. Chemrez safety programs, namely its Healthy Lifestyle program and its Near Miss Accident program have been cited as behavior-changing programs effective in preventing accidents in the workplace. In recognition of its efforts in using safe and sustainable manufacturing processes, Chemrez has been awarded the Outstanding Sustainable Development Practices - Most Outstanding Corporation in the Practice of Health and Safety 2011 by The Federation of Philippine Industries. In addition, in 1997 it received the Golden Shell Award Special Citation from the Philippine Department of Trade and Industry for export excellence.

Environmental Management Facilities

The Company places critical importance on environmental protection. To further this aim, the Company invests in facilities which it believes will reduce the impact of its operations on the environment, as well as to reduce its operating costs. For example, the Company has invested in wastewater treatment facilities, bringing its relevant facilities into compliance with ISO 14000 (wastewater treatment standards).

INVESTOR RELATIONS

The Company has a dedicated Investor Relations Office that (a) creates and implements an investor relations program that reaches out to all shareholders and fully informs them of corporate activities, and (b) formulates a clear policy on communicating and relating relevant information to Company shareholders and to the broader investor community accurately, effectively and sufficiently. The Investor Relations Office reports to the President.

INSURANCE

The Company has marine insurance policies protecting against loss of raw materials, and has also insured the motor vehicles in its transport pool, as well as policies against theft or hijacking of deliveries. The Company has also adopted a policy of self-insurance with respect to its facilities and operations, operating centralized fire protection and disaster prevention systems. The Company also self-insures by maintaining a relatively high level of asset liquidity in the form of cash and cash equivalents, to protect its businesses against other potential risks. The Company believes that its insurance policies are sufficient to cover any loss or damage to its properties, and are generally in line with industry practice in the Philippines.

EMPLOYEES

As of date of this Prospectus, D&L Industries, including its subsidiaries, had an aggregate workforce of 948 people, of which 92 were employed in management and administrative functions, 97 in marketing, 109 in design or research and development and engineering, 137 in manufacturing and 477 in other support roles, including janitorial and security staff. The Company doesn't expect any major change in the total number of employees in the next 12 months.

The Company believes that its relations with its employees are good, and there have been no major labor stoppages in the last 20 years. There is no existing collective bargaining agreement between the Company and any of its employees, and the Company's employees are not part of any labor union.

The Company places significant emphasis on training its personnel to increase their skill levels, ensuring consistent application of the Company's procedures and instilling an application of its corporate values. The Company has adopted a compensation policy which it believes to be competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and adjusted to retain current employees and attract new employees. Performance is reviewed annually and employees are rewarded based on the attainment of pre-defined objectives.

PROPERTY

The Company does not own any material real properties. The Company leases all real property and facilities in its businesses from related parties LBL Industries, Inc. and its subsidiaries, including Ecozone Properties, Inc. The Company's lease agreements are typically for a period of one to five years, and are renewable unless terminated by either party. Rentals are generally subject to an escalation of five percent annually starting on the second year of the lease term. None of the Company's properties used in its operations are subject to any material liens, encumbrances or restrictions of use.

INTELLECTUAL PROPERTY

The Company believes that all proprietary product names, devices and logos used by the Company and its subsidiaries are registered with or are covered by a pending Application for Registration with the Intellectual Property Office of the Philippines, and have been filed or are owned by the Company.

As of 31 March 2021, the Company has over 340 registered trademarks covering a wider range of products such as resins, colorants, foam concentrates, fats and oils, powder coating and biofuel compounds, among others, as enumerated in the table below.

<i>Name of Tradename / Trademark</i>	<i>Registration Date</i>	<i>Name of Tradename / Trademark</i>	<i>Registration Date</i>
7-STAR	21-Oct-10	FROSTY DELITE	3-Sep-06
ACE-COAT	31-Oct-19	FRUITGUARD	24-Nov-16
ACRYBOND	22-Dec-19	FRYMAX	14-Jul-89
ACRYCOTE	22-Dec-19	FRYMAX	30-Aug-18
ACRYGEL	22-Dec-19	FRYMAX	28-Jun-20
ACRYLAC	27-Jul-92	FUNGIGARD	10-Dec-09
ACRYLITE	2-Sep-88	FUNGIGARD AND DEVICE	19-Aug-10
ACRYTEX	2-Sep-88	FUSION BONDED EPOXY (FBE)	6-Jan-06
ACTIV	13-Jan-11	Galing Sariling Atin (tagline)	5-Mar-21
ACTIV ADJUVANT	9-Feb-09	GLAZKOTE	5-Mar-07
AERO-GARD	28-Mar-20	FROSTY DELITE	3-Sep-06
AERO-PACK	4-Jul-02	GOLD MILL	5-Feb-21
AERO-SEAL	17-Dec-97	GreenGold	9-Feb-09
AERO-SIL	28-Apr-06	GREENLIGHT	26-Mar-21
AGILA	30-Aug-18	HANEP Negosyo Packages	25-Oct-18
AGRICIDE	5-Nov-09	HAPPY TUMMY	15-Jan-21
ALKYSOL	16-Apr-04	HI-FLEX	15-Jul-92
ALLStar	28-Oct-10	HI-FLO	15-Jul-92
ALWAYS BE 100%	29-Dec-19	HIPURGE	21-Apr-11
ANTIMICROBIAL AMS	29-Dec-19	HORECA	21-Oct-10
AQUA PLUS	19-Oct-17	HumiK Plus	14-Jul-16
AQUABOND	26-Jun-03	HYDROMATE	9-Feb-09
AQUAFORTE	13-May-06	JETFRESH & DEVICE	21-May-96
AQUASOL	30-Jul-05	KETOGENIX	3-Mar-16
AQUASORB	27-Dec-20	KIK-OUT	27-Dec-20
BAKE PLUS	29-Dec-19	KLEENFIRE P-330	3-Nov-11
BAKER'S CHOICE	19-Dec-91	KWIK BURN	21-Feb-21
BAKER'S DELITE	18-Dec-89	LACTOVIT	5-Dec-04
BAKER'S PRIDE	11-Sep-14	LAMZIDE	22-Aug-19
BARLEYGREEN	16-Apr-04	LAUREXA	5-Oct-17
BEST BITE	15-Sep-19	LAURIN	1-May-14

BETTER FOR YOU (Tagline)	17-Jan-19	LAURIN and DEVICE	13-Sep-19
B-GHEE	29-Dec-19	LAURIN CLARITY	25-Feb-16
BIOACTIV	11-Dec-20	LAURIN COCOMCT	10-Jan-20
BIOCARE	11-Sep-14	LAURIN Gold	12-Mar-21
BIOFILM	9-Jun-19	LAURIN GOODNESS FROM COCONUTS DEVICE	28-Mar-20
BIOGREEN PLUS	11-Sep-14	LAURIN Light Virgin Coconut Oil	12-Mar-21
BIOMATE	20-Oct-08	LAURIN Liquid Coconut Cooking Oil	12-Mar-21
BIOMATE	3-Dec-15	LAURIN MCT BOOST	9-Jun-19
BIOPLAST	23-Feb-09	LAURIN MCT BRAIN	28-Mar-20
BIOREZ	14-Oct-16	LAURIN MCT CLASSIC	20-Dec-20
BIOSOAP	21-Oct-10	LAURIN MCT FOCUS	28-Jun-20
BIOSOL	13-Apr-09	LAURIN MyDefense	12-Mar-21
BIOSTAR NATURE TO NATURE	21-Nov-19	Laurin with CocoMCT Logo	28-Jun-18
BLACKSTARR	27-Sep-20	LAURIN: The Healthier Coconut Oil (Tagline)	5-Oct-17
BOXOUT	27-Dec-20	LOAF MATE	25-Jun-06
BUNKER ECFO	27-Nov-20	LOVISC SBM 900	3-Nov-11
CAPRA	30-Apr-21	LUXO	22-May-14
CAPRA MCT	5-Oct-17	MASTER BAKER	10-Jan-20
CARIERA	11-Sep-20	MAVEN	25-Jun-15
CERIBAC	15-Jan-21	MAXIMA	17-May-12
CERIN	10-Dec-09	MCT-OIL	11-Oct-94
CHEFDELITE	28-Oct-10	MICOCOON	17-Jan-21
CHEFPRO	13-Jan-11	MIYOSHI	31-Dec-05
CHEMLUB	11-Oct-94	MULTIPLEX	5-Feb-21
CHEMREZ	4-Jul-02	NATURA	11-Sep-20
CHEMREZ GREENCHEMISTRY	19-Aug-10	NATURAL FUEL FOR YOUR BRAIN & BODY	10-Jan-20
CHEMREZ GREENCHEMISTRY AWARDS	19-Aug-10	NATURE'S BAG	16-Apr-15
CHEMSTAT	26-Sep-95	NATURE'S BASKET	15-Jan-21
CHEMTARD	30-Nov-17	NUTEC	9-Feb-09
CHOCO FAT	29-Feb-20	NUTRIPALM	27-Mar-14
CHOCO-FAT	4-Sep-92	NUTRI-PLUS	24-Feb-05
CHOCOFIL	10-Jan-20	OFI DOUGHFRESH	29-Mar-18
CHOCOMATE	3-Sep-06	OFI REFILLERY	5-Mar-21
CHROMAFRESH	13-Jan-11	OLEO-BUTTER	25-Dec-20
CHROMAPLUS	13-May-06	OLEOCHEM	15-Jul-92
CHROMAPRO	21-Jul-03	OLEO-FATS	8-Jul-04
CHROMATINT	6-Feb-01	OLEO-FATS TASTY MIX	28-Mar-20
COCOBIDIESEL	14-Jul-08	OLEOFRY	15-Sep-19
COCOGEL	13-Nov-18	OLEOLUBE	11-Sep-20
COCOJELLY	22-Nov-18	OPTIKLEEN	21-Oct-10
COCOKETONES	21-Jan-16	OPTIMAX	8-Jul-04
COCOLATUM	25-Feb-16	OSPHO	11-Sep-14
COCOMCT	1-May-14	O-SUPERSTORE	2-Apr-21
COCO-MCT	22-Jan-15	OXYDIESEL	22-Dec-19
COCOMCT LOGO	30-Jul-17	PANiFLO	30-Jul-06
COCOMCT PLUS	1-May-14	PAPERMATE	9-Apr-21
COCO-MCT PLUS	18-Dec-14	PAWLISHED	5-Feb-21
COCOON	14-Jan-19	PERFORM BETTER	10-Jan-20
COCOON.COM.PH	29-Dec-19	PERFORMANCE	4-Jan-18
COLOR EXPRESSIONS	27-Nov-20	PINEGUARD 852	1-May-14
COLORMATE	29-Dec-19	PLASTI-BOND	9-Aug-18
CORRO.COAT Logo	7-Oct-18	PLASTOFLEX	30-Sep-02
CORRO-COAT EPY	26-Jul-18	PLIOFLEX	30-Sep-02
CORRO-COAT PRIME PLYF	26-Jul-18	POLYBLEND	1-Dec-95

CORROKLEEN	28-Jan-11	POLYCOL AQUA	18-Mar-10
COSMIC	28-Mar-20	POLYGARD AND DEVICE	20-Jan-11
CREAMAX	8-Jul-04	POLYMATE	12-May-05
CREAMPLUS	26-Jul-18	POLYMIX	15-Jul-92
CREMEFAT	15-Sep-19	POLYTREAT	31-Oct-19
CRÈME-FAT	13-Aug-96	POSTKLEEN	23-Feb-17
CRISP N DRY	22-Mar-90	PRIMEO SPECIALTY OILS	14-Dec-20
CRISPEE	31-Oct-19	PROFLEX	1-Dec-95
CROPGUARD	10-Dec-09	Protection You Can Feel (tagline)	21-Feb-21
CROPGUARD AND DEVICE	19-Aug-10	PURICO	20-Jan-03
D&L EPOXY EPY	12-May-16	QUIK CURE	19-Mar-21
D&L EPOXY/POLYESTER HYX	12-May-16	RANCHERS	15-Jan-21
D&L POLYESTER EXTRA PSDF	12-May-16	SAFECARE	21-Oct-10
D&L POLYESTER PLY	12-May-16	SANIALL	15-Jan-21
D&L POLYESTER PRIME PLYF	12-May-16	SANIBAG	5-Feb-21
DEDKOL	21-Feb-21	SANIPLUS	13-Jan-11
DEKOWOOD SERIES	31-Oct-19	SAVONEL	27-Nov-14
DEOMATE	20-Jan-11	SHORTMIX	22-Aug-19
DISPERSA O-250	15-Dec-11	SHORT-MIX	14-Jul-89
DISPERSOL	28-Nov-00	SIMPLY CLEAN	14-Dec-20
DOUGH FRY	26-Jun-98	SKYLITE	2-Jul-96
DOUGH PLUS	31-Oct-19	SPECTACULAR SPACES	19-Jan-20
DOUGHFRESH	29-Mar-18	SPECTACULARSPACES	19-Jan-20
DOUGH-PLUS	14-Jul-89	SPILL-CARE 300	3-Nov-11
DR. COCO	11-Apr-21	STAIN OUT	18-Dec-20
DRAGON VALLEY	28-Mar-20	STARCLA STARCHBAG	5-Nov-15
DURALAC	10-Mar-00	START STRONG, END STRONG	10-Jan-20
DYNAFLEX	21-May-96	STAY SAFE	9-Apr-21
ECOFRY	31-Oct-19	Stay Sharp	11-May-18
ECOPLAST	9-Jun-11	SUNNY HILLS	11-Sep-20
ECO-PLAST	23-Feb-09	SUPRA	7-Aug-89
ECOPLAST BAG	21-Oct-18	SYNREZ	11-Oct-94
ECOSTAR	11-Sep-20	SYNREZ PERFORMANCE	21-Nov-13
EMULFLEX	10-Feb-03	TAKAM	25-Oct-18
ENDURA	26-Jun-03	TASTEFUL SOLUTIONS (Tagline)	26-Jul-18
ENDURA	22-Aug-19	TOPCHEF	28-Oct-10
EXCEL Rinse	16-Feb-12	TOPCHEF Dessert Selections	28-Mar-20
EXCELWASH	17-May-12	TUFLEX	9-Jan-97
FARM BROTHERS	16-May-19	ULTRASOL	28-Nov-00
FIC LOGO	15-Jan-21	UNICOL	18-Jan-04
FIL-AMIDE	4-Jul-02	V-GHEE	27-Nov-20
FIL-ESTER	10-May-02	VINYLOID	15-Jul-92
FIL-LUBE	1-Dec-95	VYNOSOL	26-Sep-95
FIRST IN COLORS	24-Feb-05	WEEDOUT	17-Dec-09
FLO-AID	20-Jan-11	WEEDOUT AND DEVICE	19-Aug-10
FLOORPRO	12-May-19	WHEY2GO	9-Apr-21
FOMBAN O-340	15-Dec-11	YUPIN	8-Dec-19
FRESHMATE	20-Jan-11	YUPIN and device	28-Jun-20
FRESHMATE	9-Aug-20	YUPIN LOGO	28-Jun-20
FROSTY	7-Apr-16		

LEGAL PROCEEDINGS

In the ordinary course of business, the Company is a party to various legal actions that it believes are routine and incidental to the operation of its business. In the opinion of the Company's management, the outcome and potential liability of these aforementioned legal

actions are not likely to have a materially adverse effect on the Company's business, financial condition and results of operations.

On December 9, 2020, CTI received a letter of denial from the BIR with respect to its claim for refund of excess VAT for 2018 amounting to ₱379,268,541. In denying the claim, the BIR reasoned that the sale of biofuels constitutes sale of services, hence, official receipts, not invoices should have been submitted to support the VAT claim. CTI appealed the denial before the Court of Tax Appeals (CTA) within the time prescribed by law. As of date of this Prospectus, the case is still pending with the CTA. Management believes that the claim is supported by sufficient documentary evidence and strong legal basis and that the claims will be recovered.

SECURITY ISSUANCES

D&L Industries was publicly-listed on December 12, 2012, when it conducted an initial public offering of 1,071,429,000 common shares at an Offer Price of ₱4.30 per common share, with an over-allotment option of up to 160,714,000 common shares.

On July 24, 2015, SEC approved the increase in its Authorized Capital Stock from Four Billion Pesos composed of Four Billion common shares with a par value of P1.00 per share to Eighteen Billion Pesos composed of Eighteen Billion common shares with a par value of P1.00 per share. At the same time, the SEC approved the declaration of 100% stock dividends amounting to P3,571,428,995, taken out from unrestricted retained earnings for the period ended March 31, 2015 and issued and paid to existing stockholders out of increase in authorized capital stock.

Likewise, in 2014, D&L Industries successfully completed the tender offer for the remaining shares in Chemrez. A total of 846.41 million shares were tendered from September 04 to October 03, 2014, representing 65% of the issued and outstanding shares of Chemrez. After the tender offer, Chemrez became a subsidiary of D&L.

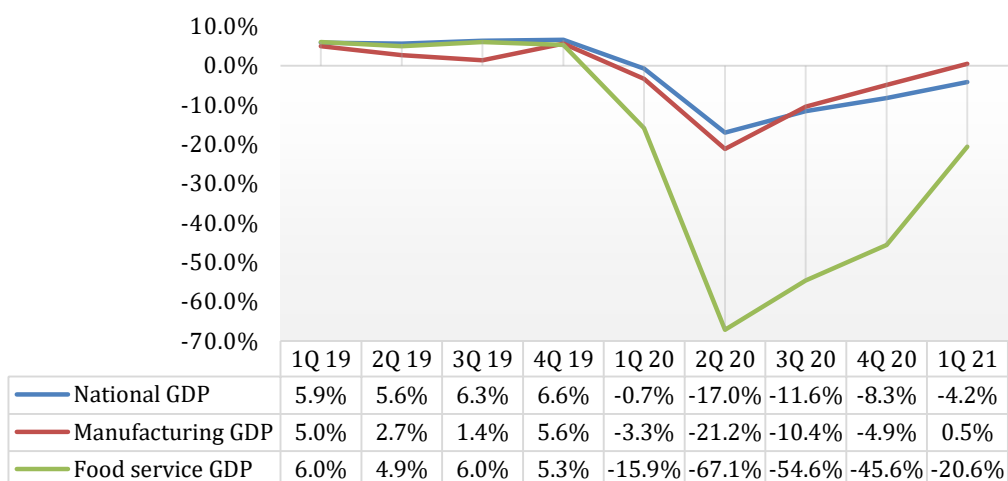
IMPACT OF THE COVID-19 PANDEMIC

Overview

Data from the Philippine Statistics Authority¹ for the previous five (5) quarters demonstrates the scale of the economic devastation that the still ongoing pandemic has caused the country. Initial jitters in 1Q 2020 brought the economy down to negative territory for the first time in years. When ECQ was declared in March 2020, the food services & tourism industries bore the brunt as people stayed home, started to work from home, and cancelled vacations. During 2Q 2020, at the height of the ECQ & MECQ lockdowns, business reeled from the economic shutdown, millions lost their jobs, and gloom and uncertainty reigned. Only essential industries were allowed to operate, and even then, only with reduced in-premises personnel, to stem the spread of the virus. Businesses and ordinary people had to reinvent themselves to survive.

¹https://psa.gov.ph/sites/default/files/01Summary_2018PSNA_Qrt_9.xlsx

YoY GDP Growth Per Quarter



As restrictions were slowly eased from 3Q 2020 onwards, huge swathes of the economy, particularly in Metro Manila and its surrounding provinces struggled with reduced operating hours, minimal foot traffic, and depressed consumer spending. By then, restaurants, transport services, and people themselves had developed the processes and habits for take-out & food deliveries, while adhering to health & safety protocols. Recovery, while very slow, was at least climbing out of negative territory up to the end of 1Q 2021.

Response & resilience

D&L Industries was quick to respond to the developing pandemic. Its size and presence in key industries allowed it to quickly pivot, pouring resources into alcohol & disinfectant production, as well as keeping the food ingredients flowing. The Company moved immediately to protect its people, guaranteeing job security amidst the layoffs in many other places of work. In response to the call of the times, the Company made generous donations in cash and in kind to hospitals and medical frontliners, as well as to the LGUs and communities it belongs to.

From the beginning of the pandemic up to the current time, while not perfect, the Company has been fairly successful at keeping its workforce and their families COVID-free. Health resiliency company-wide is expected to improve significantly as its A3 & A4 category workers get increasingly vaccinated, initially care of the LGUs, and later, as the Company's vaccine orders are delivered later in the year.

The table below shows the current measures being observed by D&L to mitigate the negative impact of the pandemic in the workplace. The measures are subject to change.

Worksite & offsite arrangements	<ul style="list-style-type: none"> ● Work from home policies and other flexible arrangement for all applicable employees ● Shuttle services for selected sites & personnel ● During the height of the lockdown in certain sites, stay-in arrangements for production & support personnel
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<p>Digital measures</p>	<ul style="list-style-type: none"> ● Increased VPN capabilities for remote access ● Acquired & deployed more laptops, especially for work-from-home purposes ● Provision of prepaid Wi-Fi solutions for select work-from-home personnel ● Enhanced Internet coverage for stay-in personnel ● Rolled out the online Health Declaration Form (Ingat Kalusugan Checklist) for contact tracing ● Improved online sales & fulfillment capabilities
<p>In-premises health protocols</p>	<ul style="list-style-type: none"> ● Strict implementation of safety and health protocols for physically reporting staff (mandatory mask, face shield wearing, physical distancing, body temp check, alcohol misting every ingress) ● Currently no face-to-face meetings are allowed ● No gatherings are permitted on-site ● All meeting rooms are limited to single occupancy ● Alternate lunch hours (to limit crowds at our on-site canteen) ● No talking in the canteen ● Penalties are enforced on employees who do not adhere to the above rules and regulations (i.e. warning, suspension system) ● Regular disinfection of facilities, daily and weekly ● Installation of barriers at the canteen and physical distancing signages ● Signages reminders installed ● CCTV monitoring of employees violating health measures ● Separate disposal for hazardous waste such as disposable masks
<p>Health care & vaccination</p>	<ul style="list-style-type: none"> ● Random antigen testing across employee samples at all company sites ● One day vaccination leave for eligible employees ● In advanced stages of securing vaccines for our workforce ● Special leave for employees who maxed out leave credits when Covid-19 positive ● Not allowing employees who are sick to report for work

The year 2019 was one of consolidation for D&L Industries, as the different operating subsidiaries suffered net income declines at one quarter or another, cyclical or otherwise. The expected recovery in 1Q 2020 was dashed by the first signs of a looming global pandemic due to the new COVID-19 respiratory disease. The Philippine economy came to a screeching halt when Metro Manila was locked down in the last two (2) weeks of that quarter.

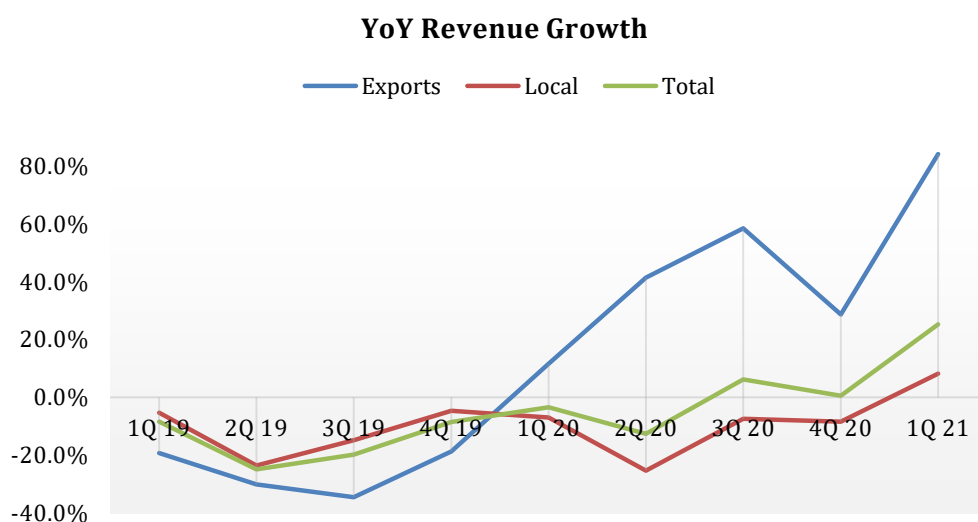
The heaviest quarantines at the onset of the pandemic were particularly savage during 2Q 2020, as all business lines suffered significantly reduced net incomes, except for the Consumer ODM business, which flourished with the spike in demand for alcohol & disinfectants.

By the start of 3Q 2020, the government was desperate to restart the economy and eased lockdown restrictions at the first sign of lesser daily cases of infection. At this time, malls were slowly opened along with greater availability of public transportation. By the end of 3Q 2020, the Company’s consolidated net income had exceeded 4Q 2019 levels, and continued to improve henceforth up to 1Q 2021.

Exports vs. local sales

The year 2019 was especially harsh for exports as revenues declined steadily, year-on-year, from 1Q 2019 to 3Q 2019, and was still in double digit decline in 4Q 2019. This trend reversed with double digit gains in 1Q 2020, as the March 2020 lockdown came too late to affect exports at that time.

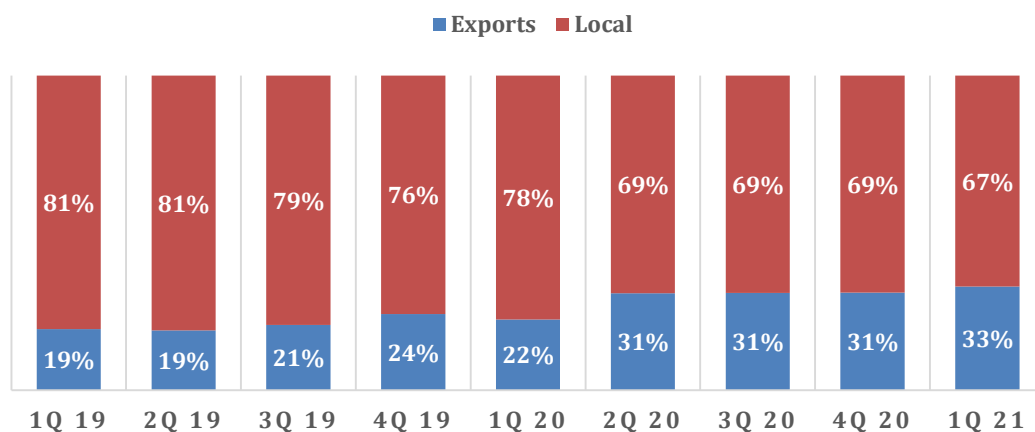
Coming from the low bar set in 2019, year-on-year export revenues grew in very high double-digit percentages from 2Q 2020 onwards. Sluggish local sales, however, dragged down year-on-year totals throughout 2020, even as consolidated revenues from both sources finally breached positive percentages from 3Q 2020 until 1Q 2021.



On a full year basis, as a share of total revenues, exports have grown year-on year from the low 19% levels in 2019 and 1Q 2020, to low 31% percentages for the remainder of 2020 and up to

1Q 2021. This occurred despite the logistical challenges of the disruption in global supply chains in 2Q 2020.

REVENUE DISTRIBUTION



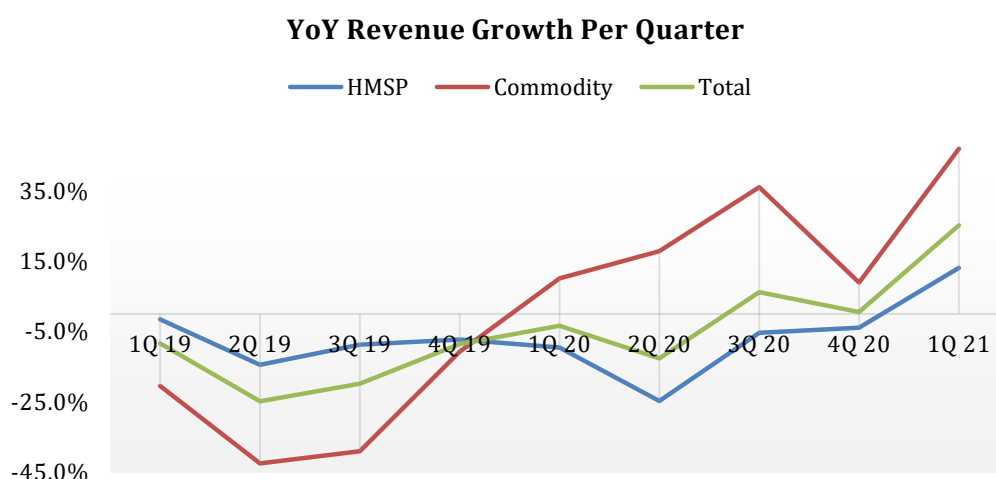
HMSP vs. commodity products

Consolidation in 2019 was spearheaded by a conscious Company decision to deemphasize commodity products vis-à-vis HMSPs, as characterized by the much steeper declines, year-on-year, of the former vs. the latter, pulling down revenues that entire year.

Coming off such hefty declines in the year-on-year baselines, recovery in commodities revenue growth throughout 2020 was helped along by global belt-tightening as people went back to basics and gave up luxuries while locked down at home.

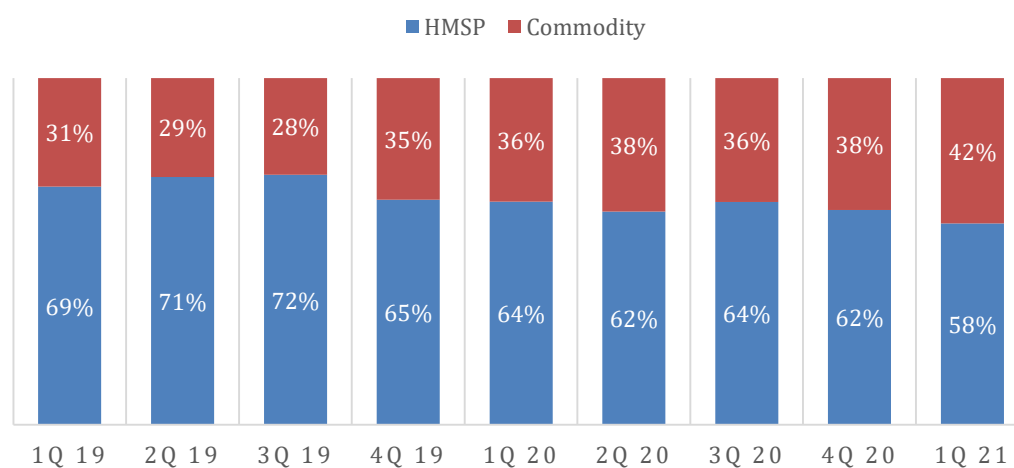
Consolidated revenue growth recovered minimally from 3Q 2020 through 1Q 2021, driven more by commodities than HMSPs.

On a positive note, both product groups, as well as total revenues, had all returned to growth in 1Q 2021, despite the still raging pandemic.



The mix of HMSP and commodity revenues underwent gradual changes from 1Q 2019 to 1Q 2021. Focus on HMSPs resulted in peaks for this product group of low 70% share of total revenues for most of 2019. Recovery in commodity revenues began in 4Q 2020 and accelerated throughout the subsequent pandemic-driven quarters, reflecting the market shift to basic products and services, hitting the current high of 42% share of revenues by the end of 1Q 2021.

REVENUE DISTRIBUTION



NEXT GENERATION FACILITY IN BATANGAS

The Company is currently embarking on a next generation expansion plan which is expected to add a meaningful capacity. The new facility is being built on a 26-hectare property in First Industrial Township - Special Economic Zone in Batangas.

Once completed, the new plant will be instrumental to the Company's future growth, in line with plans to develop more high value-added coconut-based products and penetrate new international markets. It will mainly cater to D&L's growing export business in the food and oleochemicals segment. It will add the capability to manufacture downstream packaging, thus allowing the company to capture a bigger part of the production chain. For instance, while the

Company primarily sells raw materials to customers in bulk, the new plants will allow it to “pack at source”. This means that the Company will have the ability to process the raw materials and package them closer to finished consumer-facing products. This will enable the Company to move a step closer to its customers by providing customized solutions and simplifying their supply chain, which is of high importance given global logistical challenges and concerns.

The new facility is envisioned to showcase state of the art technology in manufacturing as well as global best practices in incorporating sustainability in operations. Below are some of the key sustainability features of the said facility:

- *Sustainably designed buildings and a central command center* - Energy and water efficiency, CO2 emission reduction, and excellent indoor air quality are incorporated in the overall design of the new facility. In addition, a central command center will house the monitoring of all key environmental elements. It will also house the centralized security, risk management, and business continuity departments of the company.
- *Renewable energy sources* - A significant portion of the new facility’s power requirement will be coming from solar power. In addition, the Company is also exploring other renewable energy sources as fuel for its manufacturing plants.
- *Chilled water system* - All cooling requirements of the new facility will be centralized. This is expected to translate into greater energy efficiency and lower maintenance costs.
- *Water retention system* - Surface run-off and rainwater will be collected in a water retention pond which can store up to 5 days’ worth of the plant’s water requirements. This is expected to mitigate risk of water scarcity.
- *Sensors throughout the facility* - Several sensors will be installed throughout the facility to monitor various indicators such as water turbidity and acidity levels, effluent leakage and other possible contamination. With sufficient sensors installed, any abnormal reading will be easily detected and a corresponding corrective action can be promptly done.
- *Continuous Emission Monitoring System (CEMS)* - While not required by the Department of Environment and Natural Resources (DENR), the Company intends to install its own CEMS to consistently test boiler emissions. This is part of the Company’s initiatives to track and reduce its overall emissions.
- *Noise monitoring system* - In order to monitor and minimize noise pollution, noise monitors and sensors will be installed in the noisiest part of the plant to ensure adherence to the limits set by the park and to also ensure the surrounding communities are not adversely affected.
- *Tree planting* - The Company intends to do a tree planting activity to surround its new site with hybrid coconut trees.

REGULATORY AND ENVIRONMENTAL MATTERS

REGULATORY MATTERS

Various laws and government agencies in the Philippines regulate the manufacturing, processing and sale aspects of the businesses of the Company.

Consumer Protection

The Consumer Act of the Philippines (the “Consumer Act”), the provisions of which are principally enforced by the Philippine Department of Trade and Industry (“DTI”), seeks to: (i) protect consumers against hazards to health and safety, (ii) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (iii) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (iv) provide adequate rights and means of redress; and (v) involve consumer representatives in the formulation of social and economic policies.

This law regulates such matters as (i) consumer product quality and safety; (ii) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer’s health and safety; (iii) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (iv) practices relative to the use of weights and measures; (v) consumer product and service warranties; (vi) compulsory labeling and fair packaging; (vii) liabilities for defective products and services; (viii) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (ix) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

Safety and Quality Regulations under the Consumer Act

The DTI is tasked to implement the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters.

Manufacturers, distributors, importers or repackers of consumer products are required to indicate in their labels or packaging, a parallel translation in the English or Filipino language of the nature, quality and quantity and other relevant prescribed information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased. In addition to the information required to be displayed in the principal and secondary panels, DTI Administrative Order No. 01-08 mandates that all consumer products sold in the Philippines, whether manufactured locally or imported shall indicate and specify the (i) country of manufacture; (ii) required information of consumption duration safety; (iii) warranty of the manufacturer; (iv) weight content prior to packaging; (v) consumer complaint desk address; and (vi) all other information necessary for giving effect to a consumer’s right to information.

The packaging of consumer products must not cause the purchaser to be deceived as to the contents, size, quantity, measurement or fill of the product. For consumer products which are packaged in such a way that the contents cannot be seen or inspected upon purchase, samples or labeling describing the product inside the package, in words, in pictorial or graphical representation or by similar means, shall be provided for the inspection of the purchaser. Such sample or description should accurately represent the product in the package.

With respect to the packaging and repackaging of food products, such activities are regulated by the Philippine Department of Health (“DOH”), specifically the Food and Drugs Administration (“FDA”, formerly known as the Bureau of Food and Drugs), as discussed above. Establishments engaged in these activities are required to comply with, among others, the current guidelines on good manufacturing practice in manufacturing, packing, repacking, or holding food promulgated by the DOH.

Health Regulations

The FDA (which is under the DOH) administers and enforces the law, and issues rules and circulars, on safety and good quality supply of food, drug and cosmetic to consumers; and regulation of the production, sale, and traffic of the same to protect the health of the people.

Pursuant to this, food manufacturers are required to obtain a license to operate as such. The law further requires food manufacturers to obtain a certificate of product registration for each product.

The DOH (which includes the FDA) is the government agency tasked to implement the Consumer Act with respect to food products. The DOH also prescribes the Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers. Under the Consumer Act, the DOH also has the authority to order the recall, ban, or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

The FDDC Act

The Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 (the “FDDC Act”), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The FDA is the governmental agency under the DOH tasked to implement and enforce the FDDC Act.

The FDDC Act prohibits, among others, (i) the manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising, or sponsorship of any health product that is adulterated, unregistered or misbranded; and (ii) the manufacture, importation, exportation, transfer or distribution of any food, cosmetic or household/urban hazardous substance by any natural or juridical person without the license to operate from the FDA required under the FDDC Act.

Any person found in violation of any of the provisions of the FDDC Act shall be subject to administrative penalties or imprisonment or both. Furthermore, the health products found in violation of the provisions of the FDDC Act and other relevant laws, rules and regulations may be seized and held in custody pending proceedings, without hearing or court order, when the director-general of the FDA has reasonable cause to believe from facts found by him/her or an authorized officer or employee of the FDA that such health products may cause injury or prejudice to the consuming public.

Water Appropriation

The Water Code of the Philippines (P.D. No. 1067) defines the extent of the rights and obligation of water users and owners including the protection and regulation of such rights. Under this law, use of water for industrial purposes includes the utilization of water in factories, industrial plants, mines, and the use of water as an ingredient of a finished product. This law requires that a water right as evidenced by a Water Permit must be secured from the National Water Resources Board ("NWRB") before any person, including government instrumentalities or government-owned and controlled corporations may appropriate water. Only citizens of the Philippines, of legal age, as well as juridical persons who are duly qualified by law to exploit and develop water resources (at least 60% of its capital being owned by Filipino citizens) may apply for Water Permits. Thus, a foreign corporation may not apply for or be qualified to hold Water Permits. Water permits may be revoked, modified or cancelled under the conditions provided in this law.

Use of Controlled Precursors and Essential Chemicals

Pursuant to the Comprehensive Dangerous Drugs Act (Republic Act No. 9165), the Government pursues a campaign against the trafficking and use of dangerous drugs and other similar substances through an integrated system of planning, implementation and enforcement of anti-drug abuse policies, programs, and projects. The Government aims to achieve a balance in the national drug control program so that people with legitimate medical needs are not prevented from being treated with adequate amounts of appropriate medications, which include the use of dangerous drugs.

The Dangerous Drugs Board formulates the guidelines for the importation, distribution, production, manufacture, compounding, prescription, dispensing and sale of, and other lawful acts in connection with any dangerous drug (which includes those listed in the Schedules annexed to the 1961 Single Convention on Narcotic Drugs, as amended by the 1972 Protocol, and in the Schedules annexed to the 1971 Single Convention on Psychotropic Substances), controlled precursor and essential chemical (which include those listed in Tables I and II of the 1988 UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances) and other similar or analogous substances of such kind and in such quantity as the said Board may deem necessary according to the medical and research needs or requirements of the country and determine the quantity and/or quality of dangerous drugs and precursors and essential chemicals to be imported, manufactured and held in stock at any given time by authorized importer, manufacturer or distributor of such drugs. The corresponding license for this purpose is issued by the Philippine Drug Enforcement Agency ("PDEA"), which is the implementing arm of the Dangerous Drugs Board. The PDEA is responsible for the efficient and effective law enforcement of all the provisions of the law with respect to any dangerous drug and/or controlled precursor and essential chemical.

All manufacturers, wholesalers, distributors, importers, dealers and retailers of dangerous drugs and/or controlled precursors and essential chemicals (issued with the appropriate license by the PDEA) is required to keep a record of all inventories, sales, purchases, acquisitions and deliveries of the same as well as the names, addresses and licenses of the persons from whom such items were purchased or acquired or to whom such items were sold or delivered, the name and quantity of the same and the date of the transactions. Such records may be subjected anytime for review by the Dangerous Drugs Board.

ENVIRONMENTAL MATTERS

The operations of the businesses of the Company are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

The EISS

The Philippine Environmental Impact Statement System (the "EISS"), which is implemented by the Philippine Department of Environment and Natural Resources ("DENR"), is the general regulatory framework for any project or undertaking that is either (a) classified as environmentally critical or (b) is situated in an environmentally critical area. It requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("EIS") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an Environmental Compliance Certificate ("ECC"). An ECC is a Philippine government certification that the proposed project or undertaking will not cause significant negative environmental impact; that the proponent has complied with all the requirements of the EISS in connection with said project; and that the proponent is committed to implement its approved Environmental Management Plan in the EIS. In general, only projects that pose potential significant impact on the environment shall be required to secure an ECC. The proponent of a project for which an ECC is issued and determined by the DENR to pose a significant public risk or necessitate rehabilitation or restoration shall be required to establish an Environmental Guarantee Fund. Said fund is intended to meet any damage caused by, as well as any rehabilitation and restoration measures in connection with, the said project.

The Laguna Lake Development Authority

The Laguna Lake Development Authority ("LLDA") was created under Republic Act No. 4850 to promote, and accelerate the development and balanced growth of the Laguna Lake area and the surrounding provinces, cities and towns hereinafter referred to as the region, within the context of the national and regional plans and policies for social and economic development and to carry out the development of the Laguna Lake region, with due regard and adequate provisions for environmental management and control, preservation of the quality of human life and ecological systems, and the preservation of undue ecological disturbances, deterioration and pollution. The LLDA issues the necessary clearance for all plans, programs, and projects proposed by local government offices/agencies within the region, public corporations, and private persons or enterprises where such plans, programs and/or projects are related to those of the LLDA for the development of the Laguna Lake region. The LLDA also issues permits for the use of the lake waters for any projects or activities in or affecting the said lake including navigation, construction, and operation of fishpens, fish enclosures, fish corrals and the like, and imposes necessary safeguards for lake quality control and management. The LLDA is also tasked to establish water quality standards for industrial, agricultural and municipal waste discharges into the lake.

The Clean Water Act

The Clean Water Act and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the country's water resources. Said Act require owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial

facilities) to secure a discharge permit from the DENR which authorizes said owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The DENR, together with other government agencies and the different local government units, are tasked to implement the Clean Water Act and to identify existing sources of water pollutants, as well as strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the Maritime Industry Authority (“MARINA”) and the Philippine Coast Guard. Both agencies are under the Philippine Department of Transportation.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA mandated the use of double-hull vessels for transporting Black Products beginning at end of 2008 and by year 2011 for White Products.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills.

Moreover, both the Clean Water Act and the Philippine Coast Guard guidelines provide that the spiller or the person who causes the pollution have the primary responsibility of conducting clean-up operations at its own expense.

The Clean Air Act

The Clean Air Act (Republic Act No. 8749) provides for air quality standards and regulations against air pollution. It provides that the DENR shall have authority to issue permits as it may determine necessary for the prevention and abatement of air pollution. Said permits shall cover emission limitations for regulated air pollutants to help attain and maintain the ambient air quality standards. Under the implementing rules and regulations of the Clean Air Act, all sources of air pollution are required to obtain a valid Permit to Operate, while new or modified sources must first obtain an Authority to Construct. The DENR, together with other government agencies and the different local government units, are tasked to implement the Clean Air Act.

The Clean Air Act provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Clean Air Act mandates the sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by January 1, 2004 nationwide. The law also regulates the use of any fuel or fuel additives. Furthermore, the Clean Air Act prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for certain petroleum products following strict time-bound and quality-specific targets under the mandate of the Clean Air Act and the DOE initiative on alternative fuels.

The Biofuels Act of 2006

The Biofuels Act of 2006 (Republic Act No. 9637), aims to reduce the dependence of the transport sector on imported fuel and mandates that, starting February 2009, at least 5% bioethanol shall comprise the total annual volume of gasoline fuel sold by every oil company. Oil companies are allowed to blend the different premium gasoline grades with 10% ethanol to be sold in selected areas to achieve the 5% of total gasoline volume requirement. The requirement to sell ethanol blended gasoline commenced on February 9, 2009. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009.

In 2008, a Joint Administrative Order known as the “Guidelines Governing the Biofuel Feedstock Production and Biofuel Blends Production, Distribution and Sale” (the “Guidelines”) was issued by various Philippine government agencies. The Guidelines provide for responsibilities of oil companies in the sourcing and blending of biodiesel and bioethanol with diesel and gasoline. The Guidelines mandate that oil companies should source biofuels only from biofuel producers accredited by the DOE or from Biofuel distributors registered with the DOE. Moreover, unless authorized by DOE to import in case of shortage of supply of locally-produced bioethanol as provided for under the Act, an oil company’s failure to source its biofuels from accredited biofuels producers and/or registered biofuel distributors would constitute a prohibited act.

The Renewable Energy Act of 2008

The Renewable Energy Act of 2008 (Republic Act No. 9513) aims to promote development and commercialization of renewable and environment-friendly energy resources such as biomass, solar, and wind through various tax incentives. Some of the tax incentives granted to renewable energy developers under the law include (i) a seven-year income tax holiday; (ii) duty free importation of renewable energy machinery, equipment, and materials; (iii) special realty tax rates on equipment and machinery; (iv) zero percent VAT rate for power generated from these energy sources; and (v) the imposition of a reduced corporate tax of 10% on its net taxable income after the income tax holiday.

Other Laws on Pollution Control

Other environmental laws and regulations on pollution control applicable to the businesses of the Company include the following:

- The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990 (Republic Act No. 6969) regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. Said law is implemented by the DENR.
- The Philippine Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003) provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. Said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than such centers and facilities prescribed thereunder. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.
- The Code on Sanitation of the Philippines (Presidential Decree No. 856) provides for sanitary and structural requirements in connection with the operation of certain establishments such as food establishments which include such places where food or drinks are manufactured, processed, stored, sold or served. Under the said law, food establishments are required to secure sanitary permits prior to operation which shall be renewable on a yearly basis. Said law is implemented by the DOH.

OTHER APPLICABLE LAWS AND RELEVANT REGULATORY AGENCIES

The Local Government Code

The Local Government Code of 1991 (Republic Act No. 7160 or the “Local Government Code”) establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The Local Government Code 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, through 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.

Recently, several LGUs have likewise adopted ordinances prohibiting the use of plastic packaging materials and/or requiring the gradual phase out on the usage of such materials.

Philippine Securities and Exchange Commission

Under the SRC, the Philippine SEC has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. As the government agency regulating the Philippine securities market, the SEC issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers and

reportorial requirements for publicly listed companies and the proper application of SRC provisions, as well as the Philippine Corporation Code, and certain other statutes.

Philippine Department of Trade and Industry

The DTI is the primary government agency with the dual mission of facilitating the creation of a business environment wherein participants could compete, flourish, and succeed and, at the same time, ensure consumer welfare. It is the enforcement of laws to protect and educate consumers that becomes the driving factor in the relationship of DTI and manufacturers, such as the Company.

Philippine Department of Labor and Employment

The Philippine Department of Labor and Employment stands as the national government agency mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Philippine executive branch in the field of labor and employment. The said department has exclusive authority in the administration and enforcement of labor and employment laws and such other laws as specifically assigned to it or to the Secretary of Labor and Employment.

The Social Security System and the PhilHealth

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Philippine Social Securities Act of 1997 (Republic Act No. 8282) ensure coverage of employees following procedures set out by the law and the Social Security System (“SSS”). The employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations.

Philippine Health Insurance Corporation (“PhilHealth”) is a government corporation attached to the DOH that ensures sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995 (Republic Act No. 7875). Employers are required to ensure enrollment of its employees in the National Health Insurance Program being administered by the PhilHealth.

The Pag-IBIG Fund

The Pag-IBIG Law (Presidential Decree No. 1752, as amended), requires all employers covered by the Social Security System to register and remit contributions to the Home Development Mutual Fund, more commonly known as the “Pag-IBIG Fund”.

Every employee covered by the Pag-IBIG Fund shall be required to make monthly contributions to the Pag-IBIG Fund. The amount of such monthly contributions shall depend on the amount of the salary received by the covered employee, and shall be borne proportionately by the member and his/her employer in accordance with a schedule prescribed by the Pag-IBIG Fund.

Every private employer shall be required to register with the Pag-IBIG Fund for purposes of making the required contributions on behalf of its employees. It shall be the responsibility of the employer to deduct the employees’ share from such employees’ salaries and remit the entire amount of required contributions to the Pag-IBIG Fund. Failure to make the required deductions

or to remit the same to the Pag-IBIG Fund shall give rise to administrative and criminal liability on the part of the employer and its responsible officers.

Special Economic Zone

PEZA is a government corporation that operates, administers and manages designated special economic zones (“Ecozones”) around the country. Ecozones, which are generally created by proclamation of the President of the Philippines, are areas earmarked by the Government for development into balanced agricultural, industrial, commercial, and tourist/recreational regions.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. PEZA-registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials.

The Company’s Canlubang, Laguna production facility is situated in a PEZA-approved special economic zone, the Company’s subsidiary DLPC is registered with PEZA as an export-oriented manufacturing and services facility and as such currently enjoys certain tax and other incentives from the Government, such as a four year income tax holiday ending in March 2014.

Board of Investments

Under the Omnibus Investments Code (Executive Order No. 226, as amended), an enterprise registered with the Board of Investments (“BOI”), an agency under the DTI, may enjoy certain incentives provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. Such incentives may include: (i) income tax holiday; (ii) additional deduction for labor expenses; (iii) tax and duty exemption on imported capital equipment; (iv) tax credit on domestic capital equipment; (v) exemption from contractor’s tax; (vi) simplification of customs procedure; (vii) unrestricted use of consigned equipment; (viii) employment of foreign nationals; (ix) tax credit for taxes and duties on raw materials; (x) tax exemption on imported spare parts; and (xi) exemption from wharfage dues and export duties and fees.

TRAIN and CREATE Act

Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (“TRAIN”), which is the first package of the Comprehensive Tax Reform Program (“CTRP”) of the Duterte administration which took effect on 1 January 2018, brought about extensive changes to ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor’s tax, and documentary stamp tax. The second package of the CTRP or Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE”), was signed into law on March 26, 2021, amending provisions of the Tax Code, related to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package. CREATE took effect on April 11, 2021, but with certain provisions having retroactive effect up to July 1, 2020

CREATE, amended provisions of the Tax Code, related to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from TRAIN.

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) ("MSMEs"), shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32(A) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Any excess of the Minimum Corporate Income Tax ("MCIT"), beginning July 1, 2020 and until June 30, 2023, shall be computed at 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. After June 30, 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year.

Subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, force majeure, or due to legitimate business reverses.

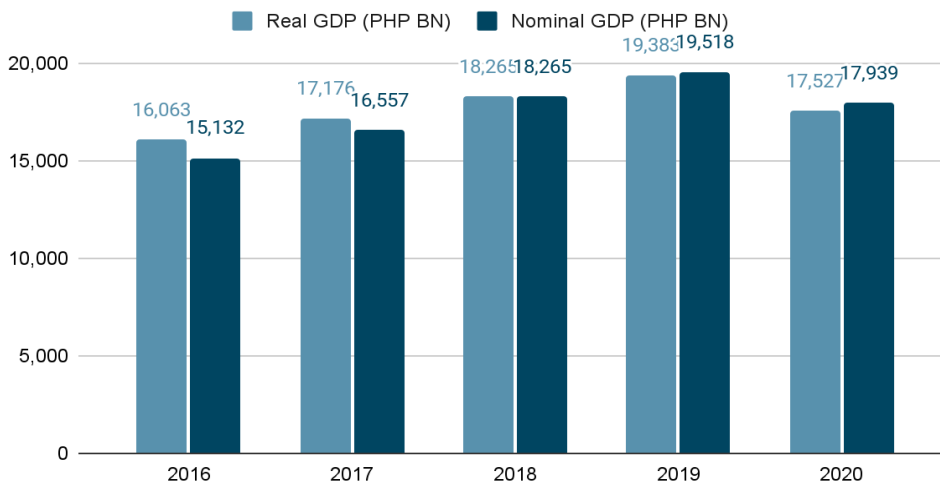
INDUSTRY

OVERVIEW OF THE PHILIPPINE ECONOMY

GDP Growth

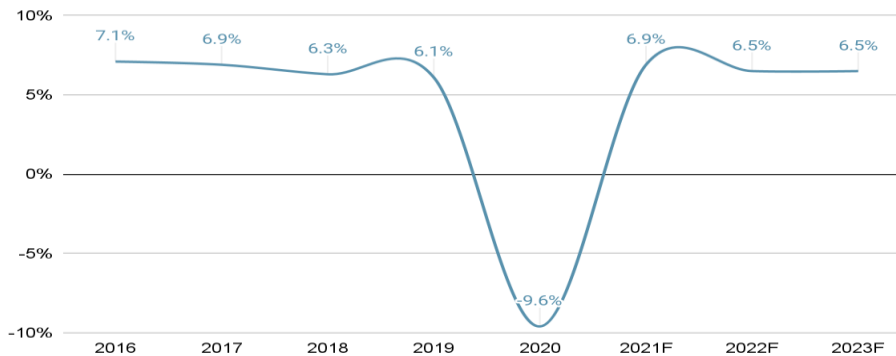
The Philippine economy had been performing strongly up until the COVID-19 pandemic. According to the Philippine Statistics Authority, the Philippine real GDP had been constantly increasing from ₱16,063 billion in 2016 to ₱19,383 billion in 2019, before decreasing to ₱17,527 billion in 2020 when real GDP growth rate declined to 9.6%. The real GDP contraction in 2020 showed a much steeper decline than during the Asian Financial Crisis. For 2Q 2021, Philippine GDP expanded by 11.8% vs the recorded contraction of 4.2% from the previous quarter. Household spending, private investment, export, and imports grew by 7.2%, 75.5%, 27.0%, and 37.8%, respectively, versus 2Q 2020. Government spending on the other hand, shrank by 4.9%. The IMF has forecasted that real GDP growth rate will increase to 6.9% in 2021, and 6.5% in 2022 and 2023 following the gradual easing of lockdown restrictions.

Philippine Nominal and Real GDP



Source: Philippine Statistics Authority. Real GDP figures presented at constant 2018 prices.

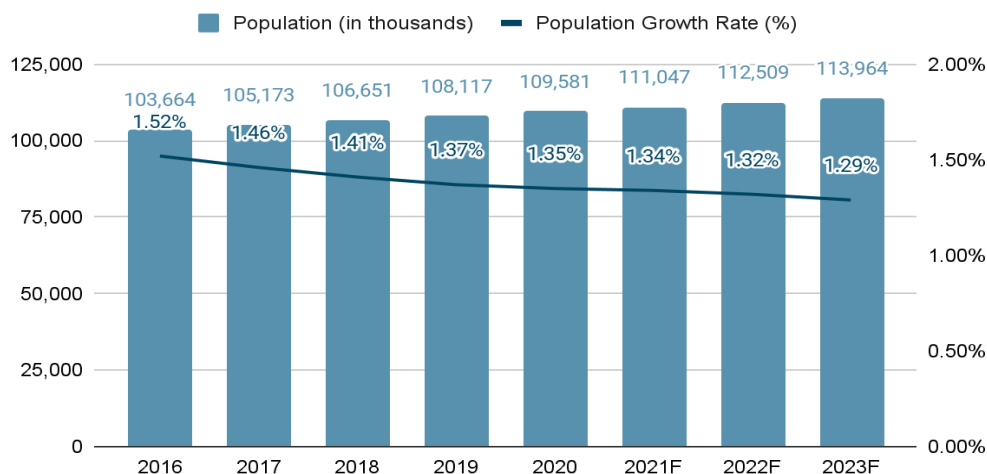
Real GDP Growth Rate



Sources: Philippine Statistics Authority. Real GDP figures presented at constant 2018 prices. IMF forecasts, World Economic Outlook, April 2021.

According to the United Nations estimates, the Philippine population grew from 103.7 million in 2016 to 109.6 million in 2020, with a CAGR of 1.4%. It is estimated to continue to grow from 2020 to 2023 at a CAGR of 1.3%.

Philippine Population

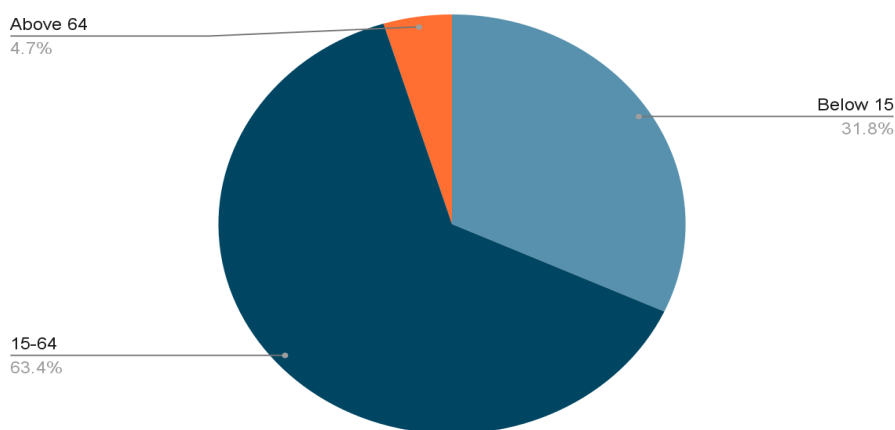


Nations estimates, World Population Prospects, July 2020.

Source: United

Of the Philippine population, 63.4% is between the ages of 15 and 64. This signifies that the majority of the Philippine population is within the productive age.

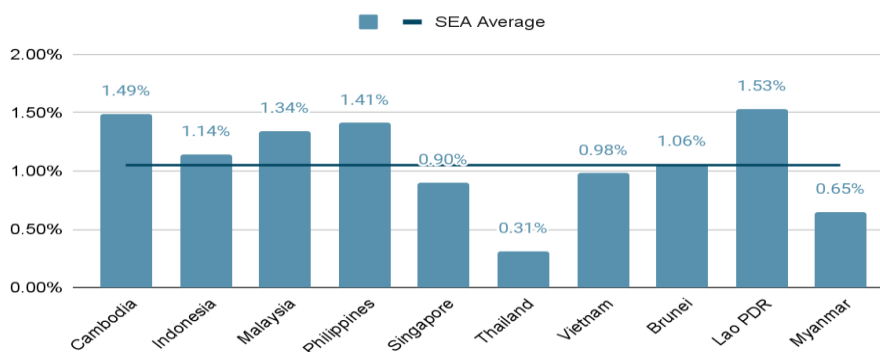
Philippine Age Demographics



Source: Philippine Statistics Authority. As of the 2015 census.

According to the United Nations estimates, the population in the Philippines is among the fastest growing in the ASEAN at 1.41% versus the average of 1.05% for Southeast Asia.

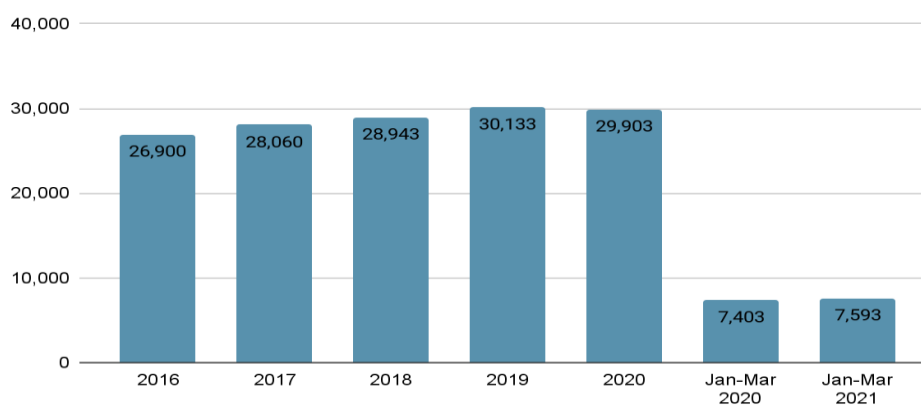
Population Growth Rate in Southeast Asia (2015-2020)



Source: United Nations estimates, World Population Prospects, August 2019.

OFW remittance contributes significantly to the populations' income. Thus, money flowing from abroad is a main driver of personal consumption. In US Dollar terms, remittances increased at a CAGR of 3.86% from 2016 to 2019 before decreasing to \$29.9 billion in 2020.

Overseas Filipinos' Cash Remittances (USD MN)

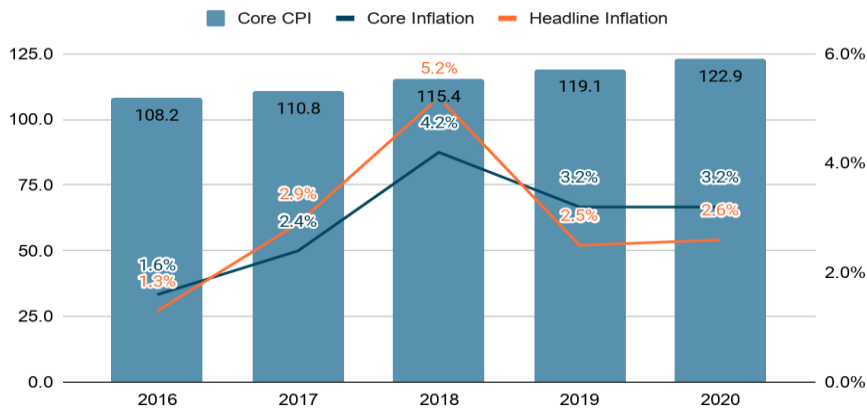


Source: Bangko Sentral ng Pilipinas (Central Bank).

Inflation

The Philippine core consumer price index has increased at a CAGR of 3.24% from 2016 to 2020. The Tax Reform for Acceleration and Inclusion (TRAIN) that cut income taxes but raised excise taxes on fuel and sweetened beverages among others led inflation to soar in 2018 for a decade-high. Increases were seen across 9 of the 11 components of the index. However, following the numerous mitigation measures enacted by the government, core inflation has decreased since 2018 and has remained at a lower level of 3.2% since 2019. For 2021, latest headline inflation for the month of July was recorded at 4.0%. The BSP targets an inflation band of 2-4% for 2021. The chart below shows the changes in the consumer price index and inflation in the Philippines from 2016 to 2020.

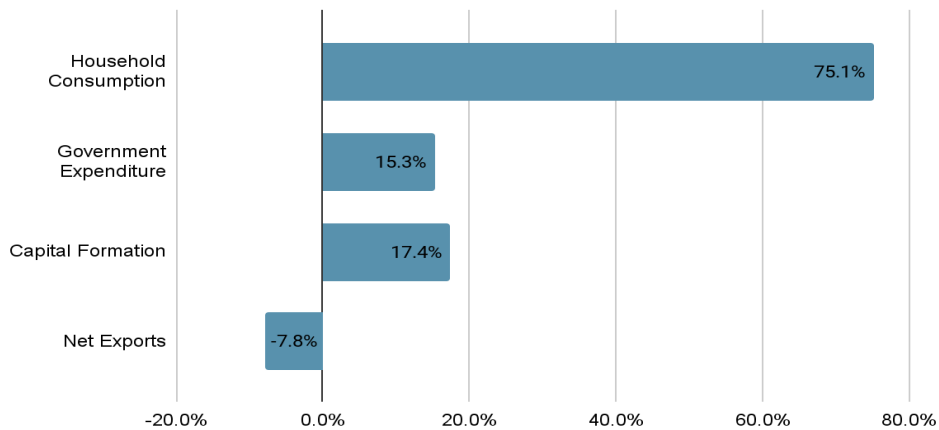
Philippine CPI and Inflation



Source: Philippine Statistics Authority.

Household consumption represents 75.1% of total GDP signifying the Philippines’ heavy reliance on consumption in driving the economy.

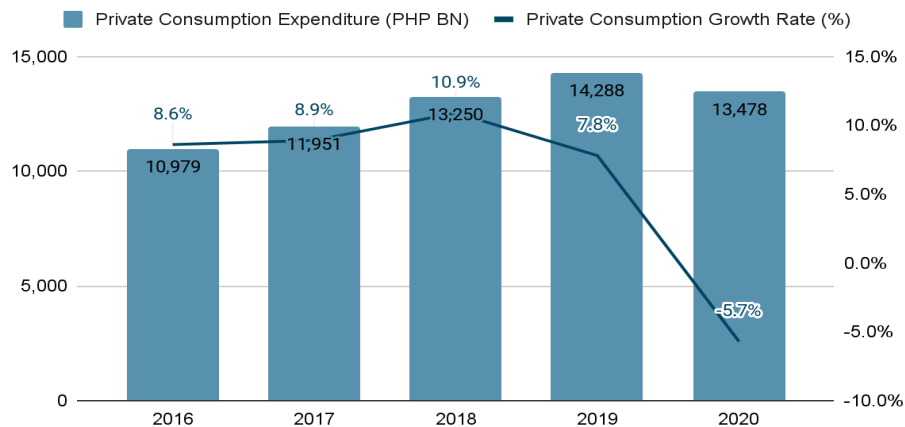
Philippine GDP by Expenditure (as of April 2021)



Source: Philippine Statistics Authority. Current Prices.

Private consumption expenditure increased from ₱10.98 billion in 2016 to ₱14.29 billion in 2019, representing a CAGR of 9.2%. Following sharp drops in mobility due to the pandemic, private consumption dropped to ₱13.48 billion in 2020 for a -5.7% growth rate. For 1Q 2021, consumption expenditure dropped 4.8% vs 1Q 2020.

Consumption



Source: Philippine Statistics Authority. Current Prices.

FOOD INGREDIENTS INDUSTRY

The food ingredients industry includes companies that offer straight food ingredients, or commoditized products, and also includes segments that offer more customized, specialty products, that are manufactured, processed and refined to a customer's unique specifications. Key customers of customized food products include major food manufacturers and restaurant operators in the Philippines that cater to the snack food, quick service restaurant (QSR) and biscuits/confectionary industries, among others. Such customers include San Miguel Corporation, Universal Robina Corporation, Jollibee Foods Corporation and Monde Nissin Corporation. While consumer confidence in the Philippines took a hit during the ongoing COVID pandemic and successive national lockdowns, the sector is expected to post strong recovery once mass vaccination is achieved and economic stability ensues. Food companies catering to basic and commodity food products, however, are expected to suffer less of an impact during the ongoing pandemic, as consumer demand for such products typically remains stable even amidst economic uncertainty.

The Philippine Department of Health has pursued public information campaigns to increase awareness on a range of health issues stemming from diet, lifestyle and nutrition choices. Such campaigns include a themed Nutrition Month every year, which focuses on spreading information on various issues such as malnutrition, healthy diet choices and food safety. Increasing numbers of Filipinos have adopted healthier diets due to increased awareness on such topics. In the midst of the ongoing pandemic, more of the Filipino public are also increasingly concerned about the impact of diet on general health and immunity. Such concerns arise from evolving scientific evidence linking severe COVID-19 infections to comorbidities such as diabetes, high blood pressure, obesity and other chronic health conditions, and have led to the development of healthier and more nutritious food products, especially products that are fortified with additional vitamins and minerals.

COLORANTS AND PLASTICS ADDITIVES INDUSTRY

The Philippines plastics industry broadly covers various applications of plastics and plastic-related products. Major customers for plastic products in the Philippines include Sumitomo Electric Wiring Systems, Yazaki, San Miguel Corporation and Universal Robina Corporation, as

well as other manufacturers who use plastics in their consumer products. Such companies also use plastic raw materials for food and beverage packaging. The plastics industry supplies standardized raw materials to make plastics, which are largely commoditized, in addition to specialized and customized raw materials for plastics, which could include highly technical engineered polymers and specially formulated pigment blends. The industry also caters to plastic additives, which are used in a broad range of consumer products, appliances and food packaging to provide various effects and increase functionality.

OLEOCHEMICALS, RESINS AND POWDER COATINGS INDUSTRY

Since 2009, biodiesel demand in the Philippines has been primarily driven by the Biofuels Act of 2006, which mandates that all diesel fuel in the country contains a 2% concentration of biodiesel, which is also known as coconut methyl ester (CME). The law was passed in order to reduce the country's reliance on imported fuels, while also serving to support the proportion of the Philippine population that is directly or indirectly dependent on the coconut industry, as CME is an oleochemical which is derived from coconut oil. The demand for biodiesel in the Philippines is fulfilled locally, with approximately 11 biodiesel refineries registered with the Department of Energy as of 2016. Due to the mandated biodiesel blend remaining stable, biodiesel demand is unlikely to outpace supply in the near future.

The oleochemical industry in the Philippines uses mostly coconut oil for feedstock, and growing global interest in sustainable, clean raw materials have supported oleochemical exports from the country. Oleochemicals are also used in shampoos, soaps and laundry detergents, among other toiletry and personal care products. Coconut oil (CNO) and coconut oil products are among the top agricultural exports from the Philippines, with its biggest export market being the United States.

CONSUMER ODM INDUSTRY

Original Design Manufacturers (ODMs) within the consumer industry designs, tests, develops and manufactures products across the household, personal care and motor care segments. The Company manufactures both aerosol and non-aerosol products under this segment. Within the aerosol category, the Company mainly competes with imported aerosol products, and maintains market leadership as the first and only company in the Philippines that supplies three-piece aerosol cans and components.

The consumer industry has changed significantly with the COVID pandemic and public interest has heightened in products in the disinfection, sanitation, health and wellbeing categories. The aerosols industry in the Philippines manufactures a wide range of personal and home care products that cater to this demand, such as air fresheners and sanitizers, disinfecting alcohol and cleaning solutions.

BOARD AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Board. The executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Currently, the Board consists of seven directors who are elected annually, with the most recent election of Board members conducted on June 7, 2021. An Advisory Board was created in 2017 to provide guidance and advice to the Board. Brothers Dean, Leon and Alex Lao now sit as members of the Advisory Board. There are currently four (4) independent directors on the Board, with Atty. Mercedita S. Nolloedo as Lead Independent Director.

The table below sets forth certain information regarding the members of the Board as of the date of this Prospectus.

Advisory Board Members

<i>Name</i>	<i>Age</i>	<i>Nationality</i>	<i>Position</i>
Dean L. Lao	82	Filipino	Chairman Emeritus
Leon L. Lao	78	Filipino	Member, Advisory Board
Alex L. Lao	75	Filipino	Member, Advisory Board

Directors, Executive Officers, and Key Officers of wholly-owned subsidiaries:

<i>Name</i>	<i>Age</i>	<i>Nationality</i>	<i>Position</i>
Yin Yong L. Lao	68	Filipino	Chairman
John L. Lao	66	Filipino	Director and Vice Chairman
Alvin D. Lao	49	Filipino	Director, President and Chief Executive Officer
Mercedita S. Nolloedo	80	Filipino	Lead Independent Director
Filemon T. Berba, Jr.	83	Filipino	Independent Director
Corazon S. de la Paz-Bernardo	80	Filipino	Independent Director
Lydia R. Balatbat-Echauz	73	Filipino	Independent Director
Franco Diego Q. Lao	42	Filipino	CFO, Treasurer, Compliance Officer
Joselito P. Rivera	58	Filipino	Chief Operating Officer
Dean A. Lao, Jr.	53	Filipino	Managing Director, Chemrez

			Technologies
Lester A. Lao	53	Filipino	Managing Director, FIC and DLPC
Vincent D. Lao	47	Filipino	Managing Director, Oleo-Fats, Inc.
Kristine Ann C. Catindig-Ong	39	Filipino	Corporate Secretary
Ainslee Anne T. Lao	30	Filipino	Assistant Corporate Secretary

Independent directors currently comprise the majority of the Board of Directors and 43% of the board are women.

The following are the periods of service and a brief description of the business experience during the past five years of the incumbent directors and executive officers of the Company:

Dean L. Lao is the Co-founder and Chairman Emeritus of the Company, having previously served as Chairman and President of the Company from 1971 to 2013. He now sits on the Advisory Board of the Company since 2017. He was the founder of the various companies belonging to the Lao Family which include FIC Marketing, Inc. (1986), Oleo-Fats, Incorporated (1988), Corro-Coat, Inc (1990), Aero-Pack Industries, Inc. (1990), First in Colors, Incorporated (1991), and Chemrez Product Solutions, Inc. (1991). He currently serves as Director of the following companies: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., FIC Marketing, Inc., FIC Tankers Corporation, LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Dean obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Leon L. Lao is the co-founder of D&L Industries, Inc. Having previously served the Company in various capacities (Director, Chairman, President and Chief Operating Officer), Leon Lao now sits on the Advisory Board of the Company since 2017. He currently serves as the President of Chemrez Technologies, Inc., First in Colors, Incorporated and D&L Polymer & Colours, Inc., and Director of Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Leon obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Alex L. Lao is a member of the Advisory Board of the company. He was a Director of the Company from 1971 to 2017. He has also been a Director of other subsidiaries and affiliates of D&L Industries. He previously served as Alternate Director of Axis REIT, a real estate investment trust listed in Malaysia. Mr. Lao is also a Director of the following: Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Inc., FIC Marketing, Inc., LBL Prime Properties Incorporated, First Batangas Industrial Park, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., Color-Chem Corp., North Mactan Industrial Corporation and Jadel Holdings Co., Inc. Alex obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Yin Yong L. Lao is the Chairman of the Company, having been a Director since 1971 and having previously served as President. He is a Director as well as President and Chief Executive Officer of LBL Prime Properties Incorporated, Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc. and Ecozone Properties, Inc. Yin Yong is also a Trustee of the Association of Petrochemical Manufacturers of the Philippines. He also serves as a director of the following: Aero-Pack Industries, Inc., Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, Oleo-Fats, Incorporated, Malay Resources, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp., North Mactan Industrial Corporation, and Jadel Holdings Co., Inc. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in General Studies.

John L. Lao is the Vice Chairman of the Company. He previously served as the President until August 2016. He is currently the President of Aero-Pack Industries, Inc. and Executive Vice President of Chemrez Technologies. His other directorships include North Mactan Industrial Corporation, Chemrez Technologies, Inc., Chemrez Product Solutions, Inc., First in Colours, Incorporated, D&L Polymer & Colours, Inc., D&L Powder Coating, Inc., Oleo-Fats Incorporated, Malay Resources, Inc., FIC Marketing, Inc., LBL Prime Properties Incorporated, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp. and Jadel Holdings Co., Inc. John obtained his B.S. in Business Administration from the University of the East.

Mercedita S. Nolleto is an independent director of the Company. She also serves currently as a Director and/or officer in various capacities for BPI Foundation, Inc., Xurpas, Inc., Ayala Foundation, Inc., Ayalaland Commercial REIT, Inc., Anvaya Cove Beach & Nature Club, Michigan Holdings, Inc., and Sonoma Properties, Inc. Mrs. Nolleto obtained a B.S. in Business Administration and Accountancy (Magna Cum Laude and class valedictorian) and a Bachelor of Laws (LL.B degree - cum laude and class valedictorian) from the University of the Philippines. She placed 2nd in both the Certified Public Accountant exams and bar exams in 1960 and 1965, respectively.

Filemon T. Berba, Jr. is an independent director of the Company. He is the Chairman of the Philippine Foundation for Science & Technology, President Emeritus of the Philippine Quality Award Foundation and serves as independent director of EEI Corporation. He also previously served as Senior Managing Director of Ayala Corporation from 1991 to 2003, seconded as Vice Chairman and President of Manila Water Company from 1997 to 2003, President of Globe Telecom from 1995 to 1997, Vice Chairman and President of Integrated Microelectronics, Inc. from 1991 to 2003, President and Chief Executive Officer of Philippine Electric Corporation from 1987 to 1990, President of Westinghouse Asia Controls Corporation from 1979-1987, Group President of various companies under the Herdis Group from 1975-1979, Vice President for Manufacturing and Logistics Services for United Laboratories from 1973 to 1975, as well as other senior management positions in the First Philippine Holdings Group. Mr. Berba obtained a B.S. in Electrical Engineering (Magna Cum Laude) from the University of the Philippines and obtained his Masters of Business Administration degree (with distinction) from the Wharton School of the University of Pennsylvania.

Corazon de la Paz-Bernardo is an independent director of the Company. She headed the Social Security System from 2001 to 2008 as President and CEO. Prior to this, she built a successful career as a certified public accountant at Joaquin Cunanan & Co (PricewaterhouseCoopers Philippines) from 1967 to 2001 where she was the Chairman and Senior Partner of the firm from 1981 to 2001. She was also the first non-European President of the International Social Security Association from 2004 to 2010. She continues to be an

independent director or trustee of other companies including Roxas & Co., Republic Glass Holdings Corp., University of the East, University of the East RMMMCI, Miriam College, Del Monte Philippines, and Phinma Education Holdings Inc.. She is an adviser to the board and audit committee of BDO Unibank, Inc. and adviser to the audit committee of PLDT. She is currently the Vice Chairman of the Shareholders Association of the Philippines. Mrs. de la Paz-Bernardo is a graduate of the University of the East (Magna Cum Laude) and obtained first place in the 1960 CPA board examination. She obtained her MBA from the Cornell University Johnson School of Management as a Fulbright grantee and UE scholar.

Lydia Balatbat-Echauz is an independent director of the Company. She has more than three decades of leading the country's top schools. She served as President of publicly listed Far Eastern University from 2002 to 2012. Previous to this, she was Associate Director at the Graduate School of Business, Ateneo de Manila University until 1985 and Dean of the Graduate School of Business, De La Salle University from 1986 to 2002. Her expertise extends beyond the academe as she also sits on the board of several companies which include Manila Electric Company, Pilipinas Shell Petroleum Corp., PLDT Beneficial Trust Fund, Henry Sy Foundation, Inc., PhilStar Group, Riverside College, Inc., NBS College, Felicidad T. Sy Foundation, Inc., FERN Realty Corporation, BusinessWorld Publishing Corporation and Tahanan Mutual Building and Loan Association.

Alvin D. Lao became a Director and President and Chief Executive Officer of the Company in August 2016. He also serves as a Director of Axis REIT, a real estate investment trust listed in Malaysia. He is a Vice President of the Technology Club of the Philippines (Philippine alumni of the Massachusetts Institute of Technology) and past president of the Entrepreneurs Organization (EO, Philippine Chapter). He is a current member of the Financial Executives Institute of the Philippines (FINEX), Wallace Business Forum, Akademyang Filipino, and Management Association of the Philippines. He is a member of the Advisory Board of Urban Land Institute – Philippine Branch. He is also the Executive Vice President and Treasurer of LBL Prime Properties Incorporated and Ecozone Properties, Inc. His other directorships include: First in Colours, Incorporated, D&L Polymer & Colours, Incorporated, FIC Tankers Corporation, Anonas LRT Property and Dev't Corp., Ecozone Properties, Inc. and Hotel Acropolis, Inc. He was previously a faculty member of the De La Salle University Graduate School of Business. He graduated from the University of Western Australia with a Bachelor of Science in Information Technology (Honours) and Statistics. He also holds a Master's degree in Business Administration from the MIT Sloan School of Management.

Joselito P. Rivera was appointed as the Chief Operating Officer in August 2017. Mr. Rivera's corporate leadership experience was gained through multi-disciplinary roles at local and multinational companies. He was the Global Head for Leadership at Ericsson Corporate Headquarters in Stockholm, Sweden for six years. Prior to that, he was with Ericsson Philippines for nine years where he held various management positions such as Senior Vice President for Business Development and Head for Market Communications, Vice President for Human Resources and Operations Development, Asia Pacific Head for Ericsson University and Talent Management. He also held positions in human resources and organization effectiveness roles at Basic/Foote, Cone & Belding, and Philippine Airlines. He is currently the Chairperson, Board of Trustees and OIC President of Pamantasan Lungsod ng Marikina and Lead Adviser for Marikina Local Government, Office of the Mayor, with focus areas in education, DRRM, livelihood and health. He was formerly Lead Adviser for several organizations such as the McCann World Group, Philippine Business for Social Progress, Staff House International, SEA Institute, Ateneo Law School, Puno Law and various Government Agencies.

Franco Diego Q. Lao was appointed as the Chief Financial Officer, Treasurer and Chief Compliance Officer of the Company on May 4, 2021. He has 21 years of experience with the group. Immediately before his appointment as CFO, he was the Finance Director of Oleo-Fats, Incorporated since February 2021. He was the Group Supply Chain Director for D&L Industries from 2017 to 2020. Before that, he was Supply Chain Manager from 2010-2016, Product Manager from 2006 to 2009 and Product Representative from 2000-2006 of Oleo Fats. He currently serves as Director of the following companies: D&L Polymer & Colours, Inc., Best Value Factory Outlet Corp., D&L Premium Foods Corp. and Natura Aeropack Corporation. He holds a Bachelor of Commerce major in Accounting and Marketing degree from the University of Western Australia.

Dean A. Lao, Jr. is the Managing Director of Chemrez and a member of the Management Committee of D&L Industries. He is currently the Chairman of the United Coconut Association of the Philippines, Director of the ASEAN Oleochemical Manufacturing Group, President of the Philippine Oleochemical Manufacturers Association, President of The Philippine Biodiesel Association and member of the Wallace Business Forum, Chemical Industries Association of the Philippines, Philippine Association of Paint Manufacturers and the Entrepreneurial Organization, Philippine Chapter. He graduated from Curtin University in Western Australia with a Bachelor of Business in Information Processing after completing his freshman year at the Ateneo de Manila University in the Philippines with a BA in Interdisciplinary Studies. He also completed the Advanced Management Program of Harvard Business School.

Lester A. Lao is the Managing Director of First in Colours, Incorporated and D&L Polymer & Colours, Inc. and a member of the Management Committee of D&L Industries. He also serves as Director of First in Colours, Incorporated, D&L Polymer & Colours, Inc., Anonas LRT Property and Dev't Corp. and Hotel Acropolis, Inc. He finished his Bachelor of Applied Science (Information Business) in Edith Cowan University Australia.

Vincent D. Lao is the Managing Director of Oleo-Fats and a member of the Management Committee of D&L Industries. He also serves as the President of Best Value Factory Outlet Corp. He was previously Assistant Trader at Shuwa Co. Ltd. in Japan from 1994 to 1995. He also serves as Director of D&L Polymer & Colours, Incorporated, Oleo-Fats, Incorporated, Anonas LRT Property and Dev't Corp., and Hotel Acropolis, Inc. He graduated from the University of Western Australia with a Bachelor of Arts in Economics and Japanese Studies.

Kristine Ann C. Catindig-Ong is the Corporate Secretary of the Company, Corporate Information Officer and Corporate Legal Counsel of the Company. She is likewise the Corporate Secretary of Chemrez Technologies, Inc. and Chemrez Product Solutions, Inc., and Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer & Colours, Inc., First in Colours, Incorporated and Aero-Pack Industries, Inc.. She is a lawyer with a juris doctor degree from the Ateneo School of Law and a member of the Integrated Bar of the Philippines.

Ainslee Anne T. Lao is the Assistant Corporate Secretary of the Company. She also serves as Director and Corporate Secretary of D&L Premium Foods Corp., Natura Aeropack Corporation and Jadel Research Center, Incorporated. She is likewise the Assistant Corporate Secretary of the following subsidiaries: Oleo-Fast, Incorporated, D&L Polymer & Colours, Inc., First In Colours, Incorporated, Aero-Pack Industries, Inc., Chemrez Product Solutions, Inc. and Chemrez Technologies, Inc. She also serves as Chief Financial Officer of the following: LBL Prime Properties Incorporated, Anonas LRT Property and Dev't. Corporation, Ecozone Properties, Inc., Hotel Acropolis, Inc., LBL Land Corporation, Malay Resources, Inc. and Star Anise Properties

Corporation. She holds a Bachelor of Arts degree in History and a Master's degree in International Business from the University of London.

Family Relationships

Mr. Dean L. Lao, Mr. Leon L. Lao, Mr. Alex L. Lao, Mr. Yin Yong L. Lao and Mr. John L. Lao are brothers. Mr. Dean A. Lao, Jr. and Mr. Lester A. Lao are the sons of Mr. Dean L. Lao, and Mr. Alvin D. Lao and Mr. Vincent D. Lao are the sons of Mr. Leon L. Lao. Mr. Franco Diego Q. Lao and Ms. Ainslee Anne T. Lao are the children of Mr. Alex L. Lao.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

To the best of the Company's knowledge and belief and after due inquiry, none of the directors, nominees for election as director, or executive officer of the Company, its subsidiaries and affiliates have in the five year period prior to the date of this Prospectus: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) subjected 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 their involvement in any type of business, securities, commodities or banking activities; or (4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

INVESTOR RELATIONS OFFICER

Ms. Crissa Marie U. Bondad is the Company's Investor Relations Officer. Her contact details are as follows:

Telephone number : +63-2-8635-0680
Email address : crissabondad@dnl.com.ph
Office address : No. 65 Calle Industria, Bagumbayan, Quezon City 1110,
Philippines

COMPLIANCE OFFICER

Mr. Franco Diego Q. Lao is the Company's Compliance Officer. His contact details are as follows:

Telephone number : +63-2-8635-0680
Email address : francolao@dnl.com.ph
Office address : No. 65 Calle Industria, Bagumbayan, Quezon City 1110,
Philippines

CORPORATE GOVERNANCE

The Company adopted a Corporate Governance Manual (the “Manual”) on October 2, 2012 in order to monitor and assess the level of the Company’s compliance with leading practices on good corporate governance as specified in pertinent Philippine SEC circulars. The Manual was revised last September 18, 2020 to keep it up to date with recent issuances and practices. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor’s rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness. A compliance officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members, officers and employees. There has been no deviation from the Manual’s standards as of the date of this Prospectus.

COMMITTEES OF THE BOARD

Pursuant to the Company’s By-Laws and Manual, the Board created each of the following committees and appointed Board members thereto. Each committee has adopted its own charter which is available on the Company’s website. Each member of the respective committees named below has been holding office as of the date of this Prospectus and will serve until his successor shall have been elected and qualified.

EXECUTIVE COMMITTEE

The Executive Committee is currently composed of six members, three of whom are directors. The Executive Committee, during the intervals between the meetings of the Board, may possess and exercise powers of the Board which can lawfully be delegated in the management and direction of the affairs of the Corporation in all cases in which specific directions have not been given by the Board. All actions by the Executive Committee are reported to the Board at its meeting next succeeding such action, and are subject to revision and alteration by the Board, provided that no rights of third parties shall be affected by any such revision or alteration. As of the date of this Prospectus, the members of the Executive Committee are Mr. Dean L. Lao (Chairman), Mr. Leon L. Lao, Mr. Yin Yong L. Lao, Mr. Alex L. Lao, John L. Lao and Mr. Alvin D. Lao.

AUDIT COMMITTEE

The Audit Committee is composed of three directors, all of whom are independent directors. Each member of the Audit Committee is required to have an adequate understanding at least, or competence at most, of the Company’s financial management systems and environment. The functions, powers and authorities of the Audit Committee are contained in its internal charter, including those as may be prescribed by applicable law and regulations. As of the date of this Prospectus, the members of the Audit Committee are Ms. Corazon S. de la Paz-Bernardo (Chairman), Atty. Mercedita S. Nolloedo and Engr. Filemon T. Berba, Jr.

NOMINATION COMMITTEE

The Nomination Committee is composed of three directors, one of whom is an independent director. The Nomination Committee reviews and evaluates the qualifications of all persons nominated as director, and conducts nominations and pre-screens the qualifications of candidates for independent directors. The Nomination Committee prescribes screening policies and parameters in the review of qualifications of nominees for independent directors. As of the

date of this Prospectus, the members of the Nomination Committee are Mr. John L. Lao (Chairman), Engr. Filemon T. Berba, Jr. and Mr. Alvin D. Lao.

REMUNERATION COMMITTEE

The Remuneration Committee is composed of three directors, one of whom is an independent director. The Remuneration Committee establishes formal procedures for developing the Company's policy on remuneration of officers and directors to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. As of the date of this Prospectus, the members of the Remuneration Committee are Mr. Yin Yong L. Lao (Chairman), Mr. John L. Lao and Atty. Mercedita S. Nollo.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is composed of four directors, three of whom are independent directors, including the Chairperson. The Corporate Governance Committee was established to assist the Board in the performance of its corporate governance responsibilities. As of the date of this Prospectus, the members of the Corporate Governance Committee are Atty. Mercedita S. Nollo (Chairman), Ms. Corazon S. de la Paz-Bernardo, Dr. Lydia R. Balatbat-Echauz and Mr. Yin Yong L. Lao.

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is composed of five directors, majority of whom are independent directors including the Chairman. The Risk Oversight Committee is responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. As of the date of this Prospectus, the members of the Risk Oversight Committee are Engr. Filemon T. Berba, Jr. (Chairman), Ms. Corazon S. de la Paz-Bernardo, Dr. Lydia R. Balatbat-Echauz, Mr. John L. Lao and Mr. Alvin D. Lao.

RELATED PARTY TRANSACTION COMMITTEE

The Related Party Transaction (RPT) Committee is composed of three independent directors. The RPT Committee is tasked to review all material related party transactions of the Company. As of the date of this Prospectus, the members of the RPT Committee are Dr. Lydia R. Balatbat-Echauz (Chairman), Engr. Filemon T. Berba, Jr. and Atty. Mercedita S. Nollo.

EXECUTIVE COMPENSATION SUMMARY

Compensation

The following are the Company's CEO and most highly compensated senior managers for the year ended 2020:

<i>Name</i>	<i>Position</i>
-------------	-----------------

Alvin D. Lao	President & CEO
Dean A. Lao, Jr.	Managing Director, Chemrez
Lester A. Lao	Managing Director, FIC and DLPC
Vincent D. Lao	Managing Director, Oleo-Fats

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the most highly compensated executive officers, as well as the aggregate compensation paid to all officers as a group, for their services as executives of the Company, for the years ended December 31, 2018, 2019 and 2020, as well as 2021 estimates:

Name	Position	Year	Salary	Bonus	Other Compensation
Alvin D. Lao	President & CEO	2020	-	-	-
Dean A. Lao, Jr.	Managing Director - Chemrez	2020	-	-	-
Lester A. Lao	Managing Director - FIC/DLPC	2020	-	-	-
Vincent D. Lao	Managing Director -Oleo Fats	2020	-	-	-
Other Senior Officers		2020	-	-	-
Total			38,468,761		
2021 projected compensation			40,776,887		
2020 actual compensation			38,468,761		
2019 actual compensation			38,178,855		
2018 actual compensation			33,192,677		

The following is the remuneration arrangement for directors for each meeting attended:

Board meetings

- P60,000 for the Chairman of the Board
- P50,000 for each Board member

Board Committee meetings

- P35,000 for the chairman of the Board Committee
- P25,000 for each member of the Board Committee

The table below provides the gross compensation received by the members of the Board for 2020, given in their capacity as directors:

Directors	Board Meetings	Committee Meetings	Total
Filemon T. Berba Jr.	250,000.00	250,000.00	500,000.00
Mercedita S. Nolloo	250,000.00	350,000.00	600,000.00
Corazon S. de la Paz-Bernardo	250,000.00	320,000.00	570,000.00
Lydia R. Balatbat-Echauz	250,000.00	195,000.00	445,000.00
Yin Yong L. Lao	300,000.00	25,000.00	325,000.00
John L. Lao	150,000.00	25,000.00	175,000.00
Alvin D. Lao	250,000.00	-	250,000.00

Standard Arrangements

Aside from the aforementioned per diem, there are no standard arrangements pursuant to which directors of the Company are compensated directly or indirectly, for any services provided as a director.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company are compensated, directly or indirectly, for any service provided as a director.

WARRANTS AND OPTIONS OUTSTANDING

As of the date of this Prospectus, there are no outstanding warrants or options held by the Company's directors, named executive officers, and all officers and directors as a group.

PRINCIPAL SHAREHOLDERS

The following table sets forth the Company's shareholders as of June 30, 2021:

Name	No. of shares held	% to total outstanding
1 JADEL HOLDINGS CO., INC.,	3,930,114,072	55.02%
2 PCD NOMINEE CORPORATION (FILIPINO)	1,385,092,310	19.39%
3 PCD NOMINEE CORPORATION (NON-FILIPINO)	1,167,557,295	16.35%
4 SMARTWORKS TRADING CO., INC.,	118,828,450	1.66%
5 JADANA INC.,	98,141,822	1.37%
6 ALLVEE UNITED, INC.,	95,524,564	1.34%
7 CEE INDUSTRIES INC.,	86,946,296	1.22%
8 PRIME SPIN INC.,	80,146,296	1.12%
9 JOHN L. LAO	65,987,202	0.92%
10 YIN YONG L. LAO	32,993,601	0.46%
11 ALEX L. LAO	32,579,888	0.46%
12 DEAN L. LAO	27,305,048	0.38%
13 IVIE MAE DIM LAO	2,552,000	0.04%
14 YVONNE KEH	2,246,500	0.03%
15 EMILY CHUA	1,649,400	0.02%

16	ALVIN D. LAO	1,200,000	0.02%
17	YVETTE ANN DIM LAO ITF KYLE ZACHARY LAO CHUA-UNSU	1,000,000	0.01%
18	YVETTE ANN DIM LAO ITF STELLA KATHLYN LAO CHUA-UNSU	1,000,000	0.01%
19	MAO CORPORATE HOLDINGS, INC.	1,000,000	0.01%
20	OTHER SHAREHOLDERS	9,993,246	0.14%
Total		7,141,857,990	100%

Note: Figures are based on the report rendered by the stock transfer agent

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners

As of June 30, 2021, the beneficial owners of more than five (5) percent of any class of the Company's voting securities are as follows:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizen-ship	No. of Shares Held	% of Total Issued & Outstanding Shares
Common	JADEL Holdings Co., Inc. (2) 65 Calle Industria, Bagumbayan, Quezon City Stockholders	n/a	Filipino	3,930,114,072	55.02%
Common	PCD Nominee Corp (Non-Filipino) G/F Makati Stock Exchange, Ayala Avenue, Makati City	The Hongkong and Shanghai Banking Corp. Ltd. - Clients' Account	Foreign	402,358,493	5.63%
Common	PCD Nominee Corp (Non-Filipino) G/F Makati Stock Exchange, Ayala Avenue, Makati City	Deutsche Bank Manila - Clients' Account	Foreign	380,971,235	5.33%

Note: (1) Percentage is based on total number of shares issued – 7,142,857,990

(2) Figures are based on the report rendered by the stock transfer agent

(2) Security Ownership of Management

The following table shows the security ownership of the Company's senior management as of June 30, 2021:

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (1) - Balance as of 12/31/2020	Amount and Nature of Beneficial Ownership (1) - Balance as of 6/30/2021		Citizenship	% to Total Outstanding
Common	Dean L. Lao	Chairman Emeritus	28,105,048	28,105,048	(D)	Filipino	0.39%
			34,579	34,579	(I)		0.00%
Common	Leon L. Lao	Member, Advisory Board	60,708,934	100,000	(D)	Filipino	0.00%
			1,910,493	1,910,493	(I)		0.03%
Common	Alex L. Lao	Member, Advisory Board	54,286,226	51,086,226	(D)	Filipino	0.72%
			7,050,972	7,288,623	(I)		0.10%
Common	Yin Yong L. Lao	Chairman	59,187,202	32,993,601	(D)	Filipino	0.46%
			34,778,518	14,780,566	(I)		0.21%
Common	John L. Lao	Vice Chairman	70,937,202	71,212,202	(D)	Filipino	1.00%
			8,440,177	8,440,178	(I)		0.12%
Common	Filemon T. Berba	Independent Director	200,002	200,002	(D)	Filipino	0.00%
Common	Mercedita S. Nollo	Independent Director	700,000	700,000	(D)	Filipino	0.01%
Common	Corazon S. de la Paz-Bernardo	Independent Director	100	100	(D)	Filipino	0.00%
Common	Lydia R. Balatbat - Echaiz	Independent Director	89,500	89,500	(D)	Filipino	0.00%
Common	Alvin D. Lao	President & Chief Executive Officer	8,640,500	8,910,500	(D)	Filipino	0.12%
			1,927,836	1,927,838	(I)		0.03%
Common	Dean A. Lao, Jr.	Managing Director, Chemrez Technologies	1,383,000	1,653,000	(D)	Filipino	0.02%
			2,290,577	2,290,577	(I)		0.03%
Common	Lester A. Lao	Managing Director, FIC and DLPC	753,000	1,023,000	(D)	Filipino	0.01%
			35,225,710	35,225,710	(I)		0.49%
Common	Vincent D. Lao	Managing Director, Oleo-Fats, Inc.	2,373,000	2,643,000	(D)	Filipino	0.04%
			1,927,780	1,927,780	(I)		0.03%
Common	Franco Diego Q. Lao	Chief Financial Officer, Treasurer, & Chief Compliance Officer	1,279,000	1,279,000	(D)	Filipino	0.02%
			18,443,918	18,443,918	(I)		0.26%
Common	Joselito P. Rivera	Chief Operating Officer	200,000	250,000	(D)	Filipino	0.00%
Common	Kristine Catindig-Ong	Corporate Secretary	271,000	296,000	(D)	Filipino	0.00%
Common	Ainslee Anne T. Lao	Assistant Corporate Secretary	1,113,600	1,383,600	(D)	Filipino	0.01%
			17,401,874	17,988,402	(I)		0.25%
Common	Crissa Marie U. Bondad	Investor Relations Manager	263,800	353,800	(D)	Filipino	0.00%

Percentage is based on total number of shares issued of 7,142,857,990

Note: ⁽¹⁾ Indirectly owned shares are attributable to the individual Lao family member's direct (D) and indirect (I) interests in the following companies, which are principal stockholders of the Company

Name of Company	No. of shares in the Company	% to Total Outstanding
Jadel Holdings, Inc.	4,346,025,786	60.84%
SmartWorks Trading Co., Inc.	91,651,020	1.28%
Allvee United, Inc.	89,793,091	1.26%
Jadana, Inc.	54,420,789	0.76%
Prime Spin, Inc.	75,961,142	1.06%
CEE Industries, Inc.	98,359,333	1.38%
Hansevian, Inc.	752,000	0.01%

Note: Figures are net of shares indicated already as beneficially owned by Messrs. Dean L. Lao, Leon, L. Lao, Yin Yong Lao, Alex L. Lao, John L. Lao, Alvin D. Lao, Dean A. Lao, Jr., Lester A. Lao, Vincent D. Lao, and Ainslee Anne Lao.

VOTING TRUST HOLDERS OF 5% OR MORE

There were no persons holding more than 5% of a class of Shares under a voting trust or similar agreement as of the date of this Prospectus.

CHANGE IN CONTROL

As of the date of this Prospectus, there are no arrangements which may result in a change of control of the Company.

RELATED PARTY TRANSACTIONS

The Company, in the ordinary course of business, engages in transactions among its constituent companies. See “Risk Factors –Risks Relating to the Company – The Company has a number of related party transactions with affiliated companies.”

The Company’s material related party transactions include:

Management and Shared Services

The Company has an existing management and shared services agreement with its related parties, whereby it provides the following services to related parties:

- *Technical support*, which includes research and development, quality control and assurance, use of trademarks, and IT related services;
- *Logistics support*, which includes order and delivery processing, fleet management, port clearing and procurement;
- *Administrative support*, which includes accounting and finance, human resources, information technology, property management, legal services, and research and development; and
- *Executive management*, which includes the services performed by the executives to manage the business operations of the related parties.

The Management Service Agreements (MSA) cover provision of general management services and facilities, including necessary managerial expertise and skills. The consideration for the management services are based on net receipts from operations, excluding related party transactions. The agreements uniformly took effect on January 1, 2017 and shall continue for a period of five years unless mutually terminated by both parties.

The Shared Services Agreements (SSA) cover provision of technical, logistics and administrative support services. The consideration for the shared services are based on net receipts from operations, excluding related party transactions. The agreement shall remain in force unless terminated by both parties.

The table below shows the aggregate management and shared services fees derived by the Company from other related parties under these arrangements:

For the years ended December 31:

	Transactions			Due from related parties		Terms and conditions
	2020	2019	2018	2020	2019	
<i>(a) Management service fees (18.1)</i>						The fee for management services is equivalent to 0.5% of the net receipts from operations, excluding related party transactions. Outstanding receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after billing date, which is raised on a monthly basis.
Entities under common control - Trade	11,941,430	10,301,437	9,796,387	997,563	740,313	
<i>(b) Shared service fees (18.2)</i>						The fee for shared services ranges from 2.2% to 2.5% of the net receipts from operations, excluding related party transactions. Outstanding receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due 30 to 60 days after billing date, which is raised on a monthly basis.
Entities under common control - Trade	54,540,440	47,333,724	40,427,202	5,170,170	3,874,851	

Lease Agreements

The Company does not own any land and operates an asset-light business model. It leases real property, barges, and storage tanks used in its businesses from related parties LBL Prime Properties, Inc, FIC Tankers, Inc., and FIC Marketing, as well as from other third party lessors. The Company's lease agreements are typically for a period of one to five years and are renewable unless terminated by either party. Lease rates are all at arm's length basis, and annual escalations are done at reasonable levels. None of the Company's properties used in its operations are subject to any material liens, encumbrances or restrictions of use.

D&L has existing operating lease agreement with LBL whereby D&L leases from LBL its office space. The lease is for a period of five years starting July 1, 2007 and renewable for another five years thereafter, unless terminated by either party. The lease agreement was renewed for another three years beginning January 1, 2018. Upon its expiration, it was then subsequently renewed for another year last January 8, 2021.

Chemrez has an existing operating lease agreement with LBL covering its factory and warehouse spaces. The lease runs for a period of five years until December 31, 2020 and is subject to five percent annual escalation rate. The lease shall be renewable under terms and conditions mutually agreed upon by both parties, unless terminated or renewed. Upon its expiration, it was then subsequently renewed for another year last January 8, 2021.

Chemrez' subsidiary, CPSI, has operating lease agreements with LBL covering its factory and warehouse spaces. The leases run for a period of five years until December 31, 2017 and are subject to five percent annual escalation rate. The lease agreements have been renewed on January 1, 2018, effectively extending the contract until December 31, 2020, and shall be renewable under such terms and conditions which may be mutually agreed upon, unless terminated or renewed. Upon its expiration, it was then subsequently renewed for another year last January 8, 2021.

OFI has existing operating lease agreements with LBL covering its factory and warehouse spaces. The lease runs for a period of five years until November 1, 2021 and shall be renewable under terms and conditions mutually agreed upon by both parties, unless terminated or renewed. OFI also has existing operating lease agreement with FIC Tankers Corporation (FICT), an entity under common control, for the use of the latter's storage tanks. The agreement remains in force unless terminated by the parties.

Aero-Pack has various operating lease agreements with LBL covering its factory and warehouse spaces. The lease runs for a period of five years until October 31, 2017, and is subject to five percent annual escalation rate. The lease was extended until December 31, 2017 and renewed for a period of 3 years until December 31, 2020, under the terms and conditions mutually agreed upon by both parties. Upon its expiration, it was then subsequently renewed for another year last January 8, 2021.

FIC has existing operating lease agreement with LBL covering its plant and warehouse in Quezon City. The lease runs for a period of five years until December 31, 2020, and is subject to five percent annual escalation rate. The lease shall be renewable under terms and conditions mutually agreed upon by both parties, unless terminated or renewed. Upon its expiration, the lease was then subsequently renewed for another year last January 8, 2021.

DLPCI has existing operating lease agreements with Ecozone Properties, Inc. (EPI), a subsidiary of LBL, covering the lease of the latter's land and warehouse for a period of five years until

December 31, 2019. The lease agreements are renewable under such terms and conditions which may be mutually agreed upon, unless terminated or renewed. Upon its expiration, it was then subsequently renewed for a period of 2 years last January 8, 2021, which shall commence retroactively from January 1, 2020 to December 31, 2021.

The Company's Batangas expansion sits on a 26-ha property in First Industrial Township - Special Economic Zone in Batangas. The land will be leased from affiliates LBL and EPI under long-term arrangements.

Surety Arrangement

The Company and its subsidiaries, namely, FIC, DLPCI, API, CTI, CPSI, NAC, OFI and DLPF have an existing agreement to provide surety for the obligations and indebtedness incurred or may be incurred by all aforementioned parties arising from short-term and long-term borrowings. Pursuant to the agreement above, the participating related parties are solidarily liable for the payment of the underlying outstanding borrowings. As at December 31, 2020 and 2019, there was no default from the borrowings covered by above surety agreements and corporate guarantee. The surety agreement and corporate guarantee shall remain in full force and shall be effective unless otherwise terminated by the parties involve.

Other related party transactions

In the normal course of its business, the Company also enters into transactions for sales and purchases of goods from related parties, such as raw materials for the production of finished goods, as well as for cash advances. These transactions are pursuant to terms that are no less favorable than those arranged with third parties.

For further information, please see Note 18 to the 2020 Audited Consolidated Financial Statements included in this Prospectus.

DESCRIPTION OF THE BONDS

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. 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 stockholders of the Issuer, the information contained in the Prospectus, the Trust Agreement, and the other Bond Agreements or other agreements relevant to the Offer, and to perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They 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 substitutes for the prospective investor's independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds. Specific references to times hereunder shall mean Philippine Standard Time.

1. GENERAL

The offer and issuance of the Bonds in an aggregate principal amount of ₱3,000,000,000.00 with an oversubscription option of up to ₱2,000,000,000.00, for public distribution and sale in the Philippines was authorized by a resolution of the Board of Directors of the Issuer on March 15, 2021 and ratified by the stockholders on June 7, 2021. The Bonds are comprised of 2.7885% per annum 3-year Series A Bonds due 2024 with a firm offer of ₱2,000,000,000.00 and an oversubscription option of up to ₱1,000,000,000.00, and 3.5962% per annum 5-year Series B Bonds due 2026 with a firm offer of ₱1,000,000,000.00 and an oversubscription option of up to ₱1,000,000,000.00. The Bonds will be issued by the Company pursuant to the Terms and Conditions of the Bonds on the Issue Date.

The Bonds shall be governed by the Trust Agreement between the Issuer and the Trustee, which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The Trustee has no interest in or relation to the Issuer which may conflict with the performance of its functions. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

The Registry and Paying Agency Agreement in relation to the Bonds was executed between the Issuer and PDTC as Registrar and Paying Agent. PDTC has no interest in or relation to the Issuer which may conflict with the performance of its functions.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Agreement and all the provisions of the Registry and Paying Agency Agreement applicable to them.

2. FORM, DENOMINATION AND TITLE

Form and Denomination

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee for the benefit of the Bondholders.

The Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

Title

Legal title to the Bonds will be shown in the Registry of Bondholders maintained by the Registrar and Paying Agent. A notice confirming the principal amount of the Bonds purchased by each Applicant in the Offer shall be issued by the Registrar and Paying Agent to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from the transferor to the transferee in the Registry of Bondholders maintained by the Registrar and Paying Agent. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfer or change, including, but not limited to, income tax and documentary stamps tax, if any, shall be for the account of the relevant Bondholder or the transferee, as applicable.

3. BOND RATING

The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. PRS Aaa is the highest rating assigned by PhilRatings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

In coming up with the rating, PhilRatings considered the Issuer's business portfolio, business plans, growth prospectus and cash flows. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The ratings reflect the following factors:

- The Company's continuously growing profitability with strong margins and its ability to generate cash flows from operations; and
- The favorable industry outlook, backed by resilient and growing demand.

The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

4. TRANSFER OF THE BONDS

Registry of Bondholders

The Issuer shall cause the Registry of Bondholders to be kept by the Registrar in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and assignments of Bonds, including any liens and encumbrances thereon, shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least every quarter (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Save in the case of manifest error or fraud, the foregoing written statement of registry holdings shall be final and binding on the Bondholder. The Bondholder shall examine such statement and promptly (and in no case more than thirty (30) days from receipt thereof) notify the Registrar in writing of any error and they shall together resolve to correct such error promptly (and in no case more than five (5) Business Days from receipt of the notice by the Registrar), failing which such transaction advice, statement or report shall be conclusive against the Bondholder. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Bonds may be made during the Closed Period (as defined below).

Transfers: Tax Status

Trading of the Bonds will be coursed through PDEX Trading Participant subject to the applicable PDEX rules and conventions. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar and Paying Agent. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar.

Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

Subject to the provisions of the Registry and Paying Agency Agreement, the relevant rules, conventions and guidelines of PDEX and PDTC, the Bondholders may not transfer their Bonds as follows:

- a) transfers across Tax Categories on a date other than on Interest Payment Dates that fall on a Business Day; provided, however, that transfers from a tax-exempt Tax Category to a taxable Tax Category on a date other than an Interest Payment Date shall be allowed using the applicable tax rate on PDEX, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt person shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred; provided, finally, that this restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented. For purposes hereof, "Tax Categories" shall refer to the four (4) final withholding tax categories in the PDEX system covering, particularly, tax-exempt persons, 20% tax-withheld persons, 25% tax-withheld persons (aliens), and 25% tax-withheld persons (corporations), as such categories may be revised, amended or supplemented by PDEX in accordance with its rules and Applicable Law;
- b) transfers by Bondholders with deficient documents; and
- c) transfers during a Closed Period. For purposes hereof, "**Closed Period**" means period during which the Registrar shall not register any transfer or assignment of the Bonds,

specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the Final Redemption Amount of the Bonds; or (ii) the period when any of the Bonds have been previously called for redemption.

Transfers taking place in the Registry of Bondholders after the Bonds are listed on PDEX may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if/and or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC.

A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders the required tax- exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar and Paying Agent. Please see the sections on “*Description of the Bonds – Tax-Exempt Status or Entitlement to Preferential Tax Rate*” for a detailed discussion on the requirements for claiming a preferential tax status.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar and Paying Agent, or the Sole Issue Manager, Lead Underwriter and Sole Bookrunner of documentary proof of tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry of Bondholders. The payment report to be prepared by the Registrar and Paying Agent and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

Secondary Trading of the Bonds

The Issuer intends to list the Bonds on PDEX for secondary market trading and, for that purpose, the Issuer has filed an application for such listing. However, there can be no assurance that such a listing will actually be achieved or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Issuer’s execution of a listing agreement with PDEX that may require the Issuer to make certain disclosures, undertakings and payments on an ongoing basis.

For so long as any of the Bonds are listed on PDEX, the Bonds will be traded in a minimum board lot size of ₱10,000.00, and in multiples of ₱10,000.00 in excess thereof. Secondary market trading in PDEX shall follow the applicable PDEX Rules, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC, all of which shall be for the account of the Bondholders.

5. RANKING

The Bonds shall constitute the direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured indebtedness of the Issuer, contingent or otherwise, other than indebtedness

mandatorily preferred by operation of law and not by contract, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines), but in the event of insolvency, such financial obligations shall be absolute and unconditional only to the extent permitted by Applicable Law relating to creditors' rights generally.

6. INTEREST

Interest and Interest Payment Dates

Series A Bonds

The Series A Bonds bear interest on its principal amount from and including the Issue Date and up to and including the Series A Bonds Maturity Date at the rate of 2.7885% p.a., payable quarterly in arrears, commencing on December 14, 2021, for the first Interest Payment Date and March 14, June 14, September 14 and December 14 of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Series A Bonds shall fall on the Maturity Date or September 14, 2024 or three (3) years from the Issue Date.

Series B Bonds

The Series B Bonds bear interest on its principal amount from and including Issue Date and up to and including the Series B Bonds Maturity Date at the rate of 3.5962% p.a., payable quarterly in arrears, commencing on December 14, 2021, for the first Interest Payment Date and March 14, June 14, September 14 and December 14 of each year or the subsequent Business Day without adjustment to the amount of interest to be paid, if such Interest Payment Date is not a Business Day.

For purposes of clarity, the last Interest Payment Date on the Series B Bonds shall fall on the Maturity Date or September 14, 2026 or five (5) years from the Issue Date.

The Record Date, which is the cut-off date in determining the existing Bondholders entitled to receive interest, principal or any other amount due under the Bonds, shall be two (2) Business Days immediately preceding the relevant Payment Date. The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during the Closed Period.

Interest Accrual

The Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on "*Description of the Bonds - Final Redemption*" below, unless, upon due presentation, payment of the principal in respect of the Bonds then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see "*Penalty Interest*" below) shall apply.

Determination of Interest

Interest on the Bonds shall be calculated on a European 30/360-day count basis, regardless of the actual number of days in a month.

7. REDEMPTION AND PURCHASE

Final Redemption

Unless otherwise earlier redeemed or purchased and cancelled, the Bonds shall be redeemed at 100% of face value on their respective Maturity Dates. However, if the relevant Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment to the amounts due, on the succeeding Business Day.

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the relevant Maturity Date shall be entitled to receive the principal amount of the Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Early Redemption Option

The Issuer shall have the right, but not the obligation, to redeem in whole (and not in part), any outstanding Series B Bonds on the relevant Optional Redemption Dates as set out below:

<i>Series B Bonds</i>	
<i>Optional Redemption Dates</i>	<i>Optional Redemption Price</i>
<i>On the 3rd year from Issue Date</i>	<i>101.0%</i>
<i>On the 4th year from Issue Date</i>	<i>100.5%</i>

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of the Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Series B Bonds pursuant to this Early Redemption Option.

The amount payable to the Bondholders upon the exercise of the Early Redemption Option by the Issuer shall be calculated, based on the principal amount of Series B Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the Optional Redemption Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent of its intention to redeem the Series B Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series B Bonds on the Optional Redemption Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar and Paying Agent an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Series B Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and Optional Redemption Price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Early Redemption for Taxation Reasons

If payments under a series of or all the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the relevant Bond series in whole or all the Bonds in whole, and not in part only, on any Interest Payment Date at 100% of face value and paid together with the accrued interest thereon, provided the Issuer has given not more than sixty (60) nor less than thirty (30) days' prior written notice to the Trustee, Registrar and Paying Agent, and subject to the requirements of Applicable Law. If the Issuer does not redeem the relevant Bond series or all the Bonds then all payments of principal and interest in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by Applicable Law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Upon receipt by the Trustee of a written notice from the Issuer under Section 8.3(c) of the Trust Agreement, the Trustee through the Issuer shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

For the avoidance of doubt, the Issuer shall not, in any case, be liable for Excluded Taxes. Please see "**Description of the Bonds - Payment of Additional Amounts - Taxation**" on page **Error! Bookmark not defined.** for the enumeration of Excluded Taxes.

Accrued interest on the Bonds to be redeemed under this section for the last Interest Payment Date up to the relevant redemption date shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

Early Redemption by Reason of Change in Law or Circumstance

Upon the occurrence of a Change in Law or Circumstance, the Issuer shall provide the Trustee, or the Trustee shall procure (cost being for the account of the Issuer), an opinion of legal counsel confirming the occurrence of any Change in Law or Circumstance and the consequences thereof, such legal counsel being from a law firm reasonably acceptable to the Trustee. Thereupon, the Trustee, after consultation with the Issuer and, in any case, within ten (10) Business Days after receipt of such opinion, shall give to the Issuer and all the Bondholders written notice of such Change in Law or Circumstance. Within thirty (30) days from such notice (the "**Cure Period**"), the Issuer shall use reasonable measures available to it to remedy the Change in Law or Circumstance so that the same event shall cease. The Issuer shall also have the option to redeem in whole, but not in part, the Bonds at par (or 100% of face value) and paid

together with the accrued interest thereon, exercisable within the Cure Period by giving not more than sixty (60) nor less than thirty (30) (or such shorter period prescribed by Applicable Law, if any) days' notice.

If after the lapse of the Cure Period the Change in Law or Circumstance is continuing and the Issuer has not given any notice of exercise of its option to redeem under this section, then, the Trustee acting upon the instructions of the Majority Bondholders, by notice in writing delivered to the Issuer, may declare the principal of the Bonds in whole, and not in part only, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable without any prepayment penalty that is imposed under any redemption event, anything in the Trust Agreement or in the Bonds contained to the contrary notwithstanding.

“Change in Law or Circumstance” is deemed to have occurred if any provision of the Bond or the Bond Agreements (in whole or in part) is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder or to enforce any provision thereunder; or any law is introduced or any existing Applicable Law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the Issuer of its obligations under the Bonds or the Bonds Agreements.

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date indicated in the notice to the Bondholders shall be entitled to receive the principal of the Bonds and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Accrued interest on the Bonds to be redeemed under this section for the last Interest Payment Date up to the relevant redemption date shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

Early Redemption by Reason of Change of Control

Upon the occurrence of a Change of Control, Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to redeem all (but not some) of the Bonds at 100% of face value, which shall be paid together with the accrued interest thereon. Within fifteen (15) days following a Change of Control, the Issuer shall notify the Trustee, which shall, in turn, notify the Bondholders (i) that a Change of Control has occurred and that the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds may require the Issuer to redeem all (and not some) of the Bonds; and (ii) the date set by the Issuer for such repurchase (which shall not be earlier than forty-five (45) days and no later than sixty (60) days from the date written notice is received by the Trustee). Failure by the Issuer to provide the notice to the Trustee of the occurrence of such Change of Control shall be without prejudice to the Trustee providing the notice to the Bondholders as contemplated in this paragraph.

The decision of the Bondholders holding at least two-thirds (2/3) of the outstanding principal amount of the Bonds under this section shall be conclusive and binding upon all the Bondholders.

“Change of Control” means the Lao Family and JHI together ceasing to, whether directly or indirectly, have an aggregate economic interest of more than 50.0% in the Issuer or ceasing to have control over the Issuer. For purposes of this paragraph:

- a. “control” means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of such person whether through ownership of voting shares, by contract, or otherwise the acquisition, at any given time, by any person or persons acting in concert or any third person or persons acting on behalf of such person(s), whether directly or indirectly, of a controlling participation in the Issuer; and
- b. “controlling participation” means ownership of more than 50% of the total issued and outstanding voting capital stock, or the right to elect more than 50% of the total number of the members of the Board of Directors of the Issuer.

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date indicated in the notice to the Bondholders shall be entitled to receive the principal of the Bonds and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

Accrued interest on the Bonds to be redeemed under this section for the last Interest Payment Date up to the relevant redemption date shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

Purchase and Cancellation

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEX Rules, as may be amended from time to time, without any obligation to make *pro rata* purchases from all the Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds in the PDEX, the Issuer shall disclose any such transaction in accordance with the applicable PDEX disclosure rules.

8. PAYMENTS

Payments – In General

The principal of, interests on, and all other amounts payable on the Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer via the Philippine payment settlement system via Real Time Gross Settlement (“RTGS”), net of final taxes and fees (if any), to the cash settlement banks of the Bondholders (nominated by the Bondholders in the Application to Purchase or as the Bondholder may notify the Paying Agent in writing), for onward remittance to the relevant cash settlement account of the Bondholder with the cash settlement bank. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Bonds remain outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint such other leading institution in the Philippines authorized to act in its place.

In the event that the details of the cash settlement account indicated by the relevant Bondholder in the Application to Purchase are incomplete or erroneous, or the cash settlement account of the relevant Bondholders has been closed, dormant, or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, then until the correction of the cash settlement account is effected and until credit of the relevant cash entitlement is completed, such payment shall either be retained in a suspense account with the relevant cash settlement bank or returned to the payment account, or otherwise disposed of by the cash settlement bank, in each case in accordance with the standard operating procedures of the relevant cash settlement bank.

In these cases, the Issuer and the Paying Agent shall not be liable to the relevant Bondholder for any failure or delay in the Bondholder's receipt of such payments.

As mentioned above, the Record Date, which is the cut-off date in determining the existing Bondholders entitled to receive interest, principal or any other amount due under the Bonds, shall be two (2) Business Days immediately preceding the relevant Payment Date. The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during the Closed Period.

9. TAXATION

Payment of Additional Amounts - Taxation

Interest income on the Bonds is subject to a withholding tax at rates of between 10% and 25% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following ("**Excluded Taxes**"):

- a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholders' Selling Agent or PDEX Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers, issued by the BIR;
- b) Gross Receipts Tax under Section 121 and 122 of the Tax Code;
- c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;

- d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337; and
- e) Any applicable taxes on any subsequent sale or transfer of the Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Please see the section on "Taxation" in the Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar and Paying Agent, subject to acceptance by the Issuer, as being sufficient in form and substance:

- a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant applicant or Bondholder, confirming its exemption or its entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and for tax-exempt Personal Equity Retirement Account (PERA) established pursuant to PERA Act of 2008, a certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;
- b) with respect to tax treaty relief, the Issuer may apply the preferential tax treaty rate on the interest income of the non-resident foreign Bondholder by relying on the submission by such Bondholder of the following documents before the interest income is paid:
 - (i) on an application form for tax treaty purposes (BIR Form 0901-I for interest);
 - (ii) an authenticated or apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the Bondholder; and
 - (iii) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on interest income.

Failure to submit these documents will lead to withholding using the regular rates prescribed under the Tax Code, as amended, for nonresident foreign corporations or nonresident aliens not engaged in trade or business, as the case may be, and not the treaty rate.

If the tax treaty rate was applied by the Issuer, it will file with the BIR's International Tax Affairs Division ("ITAD") a request for confirmation of the use of the tax treaty rate after the payment of the withholding tax no later than the last day of the fourth month following the close of the relevant taxable year with supporting documents specified in Revenue Memorandum Order No. 14-2021. If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that

the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and the BIR will require the Issuer to pay the deficiency taxes with penalties.

In case the Issuer used the regular rate under the Tax Code, the non-resident foreign Bondholder may file a tax treaty relief application (“TTRA”) with ITAD after it has received the dividend income with supporting documents specified in Revenue Memorandum Order No. 14-2021. If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient’s entitlement to treaty benefits, and the Bondholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the Bondholder may be filed simultaneously with the TTRA.

- c) a duly notarized undertaking executed by:
- (i) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption or entitlement to preferential tax treatment based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account; or
 - (ii) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds 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 Registrar and the Paying Agent:
 - a. of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement;
 - b. if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature and method of operation, which are inconsistent with the basis for its income tax exemption; or
 - c. if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential rate, 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 Registrar 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, provided, that in case of corporate, partnership or trust account investors, such investor shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose.
- d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the

exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders; *provided further* that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges (or with reduced rates, as the case may be), subject to the submission by the Bondholder claiming the benefit of any exemption or preferential rate of reasonable evidence of such exemption or preferential rate treatment to the Registrar and Paying Agent.

Unless properly provided with satisfactory proof of the tax-exempt status or entitlement to preferential rates of an Applicant or a Bondholder, each of the Company and the Registrar and Paying Agent may assume that such Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by the Company or any of its agents, of documentary proof of the tax-exempt status or entitlement to preferential rates of a Bondholder, the Company may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Company.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, upon submission of the Application to Purchase to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents, in accordance with the procedures of the Registrar.

Transfers taking place in the electronic Registry of Bondholders after the Bonds are listed in PDEX may be allowed between taxable and tax-exempt entities without restriction provided the same are in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Issuer, upon submission of account opening documents to the Registry: (i) a written notification of the sale or purchase, including the tax status of the selling or buying party, and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed on the Issuer on account of such transfer.

Failure on the part of the Bondholder to submit the aforementioned document/s within the time prescribed shall result in the application of the regular tax rates.

10. FINANCIAL COVENANTS

From the date of the Trust Agreement and for as long as the Bonds or any portion thereof remains outstanding, and unless the Majority Bondholders shall otherwise consent in writing, the Issuer undertakes to maintain the following financial ratios, with testing to be done on an annual basis:

- (a) a Debt-to-Equity Ratio of not more than 2.50x; and
- (b) a Current Ratio of not less than 1.00x.

For purposes of computing the above ratios, the following terms shall have the meanings set forth herein:

- (1) **“Debt-to-Equity Ratio”** means, in relation to any Relevant Period, the ratio of Indebtedness as at the end of such Relevant Period to Consolidated Equity in respect of such Relevant Period, both as reflected in the Issuer’s consolidated financial statements prepared in accordance with PFRS. Where:
- (a) **“Indebtedness”** means: (i) all indebtedness or other obligations of the Issuer for borrowed money; and (ii) all indebtedness or other obligations of any other Person, the payment or collection of which is guaranteed by the Issuer, or in respect of which the Issuer is liable, contingently or otherwise, including without limitation, any agreement to purchase, to provide funds for payment, to supply funds to or otherwise invest in such Person.
 - (b) **“Consolidated Equity”** means the total stockholders’ equity of the Issuer as of the relevant date for calculation (for the avoidance of doubt, including non-controlling interests) as recognized and measured in its fiscal year-end audited consolidated financial statements in conformity with PFRS.
- (2) **“Current Ratio”** means the ratio of total current assets and current liabilities.

Testing of both financial covenants shall be done on the last Business Day of April of each year, using the fiscal year-end audited consolidated financial statements of the Issuer.

11. NEGATIVE PLEDGE

The Issuer will not, and shall procure that none of its Subsidiaries shall, without the consent of the Majority Bondholders, (a) create, assume, incur or suffer to exist any lien upon any of their respective properties or assets (including any uncalled capital), present or future business undertaking, or revenues; and (b) sell, transfer or otherwise dispose of any of their respective assets on terms whereby they are or may be leased to or re-acquired by the Issuer or any member of the Group, in each case, where the arrangement or transaction is entered into primarily as method of raising Debt or of financing acquisitions of an asset, provided that the foregoing restrictions shall not apply to any Permitted Liens.

12. EVENTS OF DEFAULT

Each of the following events shall constitute an **“Event of Default”** under the Bonds and the Trust Agreement:

- a) the Issuer defaults in the payment when due of any amount payable to the Bondholders under the Bonds or the Trust Agreement, unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within two (2) Business Days after the date such payment is due (a **“Payment Default”**);
- b) the Issuer fails to perform, comply with, or violates any material provision, term, condition, covenant or obligation contained in the Trust Agreement (other than by reason of paragraph (a) above and other paragraphs under this section on **“Events of Default”**), and any such failure, non-compliance or violation is not remediable or, if remediable, continues unremedied for a period of thirty (30) days (or such longer curing period granted to the Issuer by the Majority Bondholders) from the date after written notice thereof shall have been received by the Issuer from the Trustee;

- c) any representation or warranty which is made by the Issuer in the Trust Agreement, or in any certificate delivered by the Issuer under the Trust Agreement, shall prove to have been untrue, incorrect or misleading in any material respect as of the time it was made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for more than fifteen (15) Business Days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Bondholders to that effect;
- d) any Debt of the Issuer or any of its Subsidiaries, whether singly or in the aggregate, in excess of ₱500,000,000 or its equivalent in other currencies, using the PDS closing rate of the immediately preceding Business Day, is not paid on its due date or within any applicable grace period or is declared to be due and payable prior to its stated date of payment. The foregoing includes any violation by the Issuer or any of its Subsidiaries of any financial or non-financial term or condition of any contract executed by the Issuer or any of its Subsidiaries with any bank, financial institution or other person, corporation or entity, or in general, violation of any law or regulation, and the effect of such violation results in the acceleration or declaration of any financial obligation, whether singly or in the aggregate, in excess of ₱500,000,000 or its equivalent in other currencies, using the PDS closing rate of the immediately preceding Business Day, and is not paid on its due date or within any applicable grace period or is declared to be due and payable prior to its stated date of payment.
- e) a decree or order by a court or other Governmental Authority having jurisdiction over the premises is entered without the consent or application of the Issuer or any of its Subsidiaries:
1. adjudging the Issuer or any of its Subsidiaries bankrupt or insolvent;
 2. approving a petition seeking a suspension of payments by or a rehabilitation or reorganization of the Issuer or any of its Subsidiaries under any applicable bankruptcy, insolvency, rehabilitation or reorganization law;
 3. appointing a receiver, liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or any of its Subsidiaries, or of all or substantially all of the business or assets of the Issuer or any of its Subsidiaries;
 4. providing for the winding-up or liquidation of the affairs of the Issuer or any of its Subsidiaries;
 5. with a view to the rehabilitation, administration, liquidation, winding-up or dissolution of the Issuer or any of its Subsidiaries; or
 6. taking other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (5) above (inclusive);

provided, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within sixty (60) days from issuance thereof;

- f) the Issuer or any of its Subsidiaries:

1. institutes voluntary proceedings to be adjudicated bankrupt or insolvent or consents to the filing of a bankruptcy or insolvency proceeding against it;
 2. files a petition seeking a suspension of payments by it or its reorganization under any applicable bankruptcy, insolvency or reorganization law or consents to the filing of any such petition;
 3. seeks or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its business or assets;
 4. makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts generally as they become due;
 5. files a petition seeking the winding-up or liquidation of its affairs or consents to the filing of any such petition;
 6. takes any other step with a view to its rehabilitation, administration, liquidation, winding-up or dissolution or a suspension of payments by it; or
 7. takes other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (6) above (inclusive) (including, without limitation, any out-of-court or informal restructuring agreements or rehabilitation plans under the Financial Rehabilitation and Insolvency Act (Republic Act No. 10142), as the same may be amended from time to time);
- g) final and executory judgment(s), decree(s), order(s) or arbitral award(s) for the payment of money are rendered by a court of competent jurisdiction or arbitral body against the Issuer, any of its Subsidiaries, or the Issuer's or its Subsidiary's properties or assets, from which no appeal may be made which will have a Material Adverse Effect and such judgment or order shall continue unsatisfied or undischarged after thirty (30) days from the date when payment of such judgment, decree, order or award is due under the terms thereof, Applicable Law or relevant contract or agreement;
- h) the Issuer or any of its Subsidiaries shall suspend or discontinue all or a substantial portion of its business operations, whether voluntarily or involuntarily for a period of thirty (30) consecutive days except in cases of strike, lockout, or closure when necessary to prevent business losses or when due to fortuitous events, or in cases of force majeure, provided that any such event of strikes, lockouts, closure, or force majeure, there is or there will be no Material Adverse Effect;
- i) an attachment or garnishment of or levy upon any of the properties of the Issuer or any of its Subsidiaries is made which materially and adversely affects the ability of the Issuer to pay its obligations under the Bonds and is not discharged or stayed within thirty (30) days (or such longer period as the Issuer satisfies the Majority Bondholders is appropriate under the circumstances) of having been so imposed;
- j) any government and/or non-government consent, license, approval, authorization, permit, right, privilege, declaration, filing or registration which is granted or required in connection with the Bond Agreements or the Bonds, or which is now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement

or the Bonds, expires or is terminated, modified, withdrawn or withheld in any manner which affect the ability of the Issuer to comply with such obligations;

- k) any concession, permit, right, franchise or privilege required for the conduct of the business and operations of the Issuer or any of its Subsidiaries shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as will have or will result in a Material Adverse Effect;
- l) non-payment of any Taxes, or any assessments or governmental charges levied upon the Issuer, or any of its Subsidiaries, or against the Issuer's or its Subsidiary's properties, revenues and assets, which are not contested in good faith by the Issuer or such Subsidiary within any grace period that may have been granted to the Issuer or such Subsidiary by the BIR or any other Philippine tax body or authority, and which has or will have a Material Adverse Effect;
- m) the Philippines or any competent authority thereof takes any action to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer, any of its Subsidiaries, or the whole or any portion of the Issuer's or its Subsidiary's properties or assets; provided that if any such act, deed or proceedings involves only a non-material portion of the properties or assets of the Issuer or any of its Subsidiaries is contested in good faith by the Issuer or such Subsidiary by appropriate proceedings and the same does not or will not have a Material Adverse Effect, the same shall not constitute an Event of Default;
- n) the Issuer shall contest in writing the validity or enforceability of the Bonds or shall deny in writing the general liability of the Issuer under the Bonds; and
- o) any event or circumstance that has or will have a Material Adverse Effect has occurred and is continuing.

Notice of Default

The Trustee shall, within seven (7) Business Days after receipt of written notice from the Issuer or the Majority Bondholders of the occurrence of an Event of Default, give to all the Bondholders written notice of any such Event of Default unless the same shall have been cured before the giving of such notice; provided, that in the case of a Payment Default under Section 9.1(a) of the Trust Agreement, the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default.

The existence of a written notice required to be given to the Bondholders hereunder shall be published once in a newspaper of general circulation in Metro Manila, Philippines indicating in the published notice that the Bondholders or their duly authorized representatives may request any information relating to such occurrence of an Event of Default at the principal office of the Trustee upon presentation of sufficient and acceptable identification. Otherwise, the Trustee may also provide notice via the other modes of notice as provided under Section 17 of the Trust Agreement.

Consequences of Default

a) If any one or more of the Events of Default shall have occurred and be continuing after the lapse of the period given to the Issuer within which to cure such Event of Default, if any, or upon the occurrence of such Event of Default for which no cure period is provided, (i) the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the Issuer in default ("**Declaration of Default**") and declare the principal of the Bonds then outstanding, together with all accrued and unpaid interest thereon and all amounts due thereunder, to be due and payable not later than five (5) Business Days from the receipt of the Declaration of Default ("**Default Payment Date**") with a copy to the Registrar and Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon, the Issuer shall make all payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.

b) All the unpaid obligations under the Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer.

Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay a penalty fee on the defaulted amount(s) at the rate of twelve percent (12%) per annum (the "**Penalty Interest**") from the time the amount fell due until it is fully paid in accordance with the Terms and Conditions of this Offer and the Trust Agreement.

Payments in the Event of Default

Upon the occurrence of any Event of Default, and provided that there has been a Declaration of Default and acceleration of payment of the Bonds by the Majority Bondholders, then in any such case:

a) the Issuer will pay the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, based on the payment report no later than the Default Payment Date. The Issuer also undertakes that it shall give the Trustee written notice of its intention to make any payments under this paragraph (a); and

b) the Trustee shall have the right to require the Registrar and Paying Agent, upon demand in writing, to do the following:

- i. to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or
- ii. deliver all evidences of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such demand; provided, that such demand shall be deemed not to apply to any documents or records which the Registrar or Paying Agent is not allowed to release by any law or regulation; and/or

- iii. subject to the terms of the Registry and Paying Agency Agreement, apply any money received from the Issuer pursuant to this section in the order of preference provided in the “*Description of the Bonds – Application of Payments*” below.

Application of Payments

Any money collected by the Trustee as a consequence of a Declaration of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds or to the Registry and Paying Agency Agreement, shall be applied by the Trustee in the order of preference as follows:

- a) *First*: to the *pro rata* payment to the Trustee, the Registrar, the Paying Agent and PDEX of the costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Bonds.
- b) *Second*: to any Penalty Interest.
- c) *Third*: to the payment of all other outstanding interest, in the order of maturity of such interest based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.
- d) *Fourth*: to the payment of the principal amount of the Bonds then due and payable based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.
- e) *Fifth*: the remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the written conformity of the Trustee. The Paying Agent shall render a monthly account of such funds under its control.

13. PRESCRIPTION

Claims in respect of principal and interest or other sums payable under the Bonds shall prescribe unless the claim is made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

14. REMEDIES

Subject to the discussion below under “*Description of the Bonds – Ability to File Suit*”.

(a) all remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, and

(b) unless the claim has already prescribed as set out in Section 10.8 of the Trust Agreement, no delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer under the Trust Agreement on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder unless:

(i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds;

(ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name;

(iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and

(iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders,

it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no Bondholder shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders. For the protection and enforcement of this ability to file suit, each Bondholder and the Trustee shall be entitled to such relief as can be given under Applicable Law.

Waiver of Default by the Bondholders

The Majority Bondholders (a) may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Trust Agreement, or (b) may, on behalf of the Bondholders, waive any past default except the Events of Default defined as a Payment Default in Section 9.1(a) of

the Trust Agreement, insolvency default in Sections 9(e) and (f) of the Trust Agreement or closure default under Section 9(h) of the Trust Agreement, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Trust Agreement; provided, that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

15. SUBSTITUTION

Substitution of the Bonds is not contemplated.

16. TRUSTEE; NOTICES

The following discussion is qualified by the more detailed information as contained in the Trust Agreement.

Notice to the Trustee

All documents required to be submitted to the Trustee or the Issuer and all other notices, requests and other communications must be in writing and will be deemed to have been duly given only if delivered personally, mailed (first class postage prepaid), or emailed to the relevant parties at the following addresses or email addresses; and addressed to the individuals named below:

To the Issuer:

D&L Industries, Inc.

65 Calle Industria, Bagumbayan
Quezon City 1110, Philippines

Attention:	Franco Diego T. Lao Chief Financial Officer
Telephone No:	(+632) 8635-0680
Email:	francolao@dnl.com.ph

To the Trustee:

China Banking Corporation - Trust and Asset Management Group

8th Floor, China Bank Building
8745 Paseo de Roxas corner Villar Street
Makati City, Philippines

Attention:	Jericho D. Lagustan Assistant Vice President
Telephone No:	(+632) 8885 5888 (local 6006)
Email Address:	jdlagustan@chinabank.ph

Attention: Jenny Lind M. De Dios
Manager
Telephone No.: (+632) 8885 5865
Email Address: jlmdedios@chinabank.ph

All such notices, requests and other communications will: (i) if delivered personally to the address as provided above, be deemed given upon delivery; and (ii) if delivered by mail or email in the manner described above to the address as provided above, be deemed given upon receipt and in case of email if received in readable form (in each case regardless of whether such notice, request or other communication is received by any other Person on behalf of such individual to whom a copy of such notice, request or other communication is to be delivered pursuant to this section). Each of the Trustee and the Issuer may from time to time change its address or other information for the purpose of notices hereunder by giving notice specifying such change to the other parties pursuant to the notice procedure under this section.

Any notice, report or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

Notice to the Bondholders

Except where the Bonds and the Bond Agreements specifically require another party to send notice to the Bondholders, the Trustee shall send any and all notices to the Bondholders as may be required or necessary under the Bonds and the Bond Agreements to their contact details as set forth in the Registry of Bondholders, it being understood, however, that for purposes of fulfilling its obligations to deliver such notices, the Trustee shall be entitled to rely on the Registry of Bondholders in determining the Bondholders entitled to notice and their respective contact details. Further, while the Trustee shall exert best efforts to meet the periods relative to sending of notices as provided in the Trust Agreement, it shall not be liable for delays that are outside its control.

Except where a specific mode of notification is provided for in the Bond Agreements, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) e-mail; (iii) ordinary mail; (iv) by publication for at least once a week for two (2) consecutive weeks in at least two (2) newspapers of general circulation in the Philippines; (v) personal delivery to the address of record in the Registry of Bondholders; or (vi) disclosure through the Online Disclosure System of the PDEX. If notices to the Bondholders shall be sent by mail or personal delivery, such notices shall be sent to the mailing address of the Bondholders as set forth in the Registry of Bondholders. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) on the date of receipt of the e-mail in readable form; (iii) fifteen (15) days from mailing, if transmitted by ordinary mail; (iv) on the date of last publication, if notice is made by publication; (v) on the date of delivery, for personal delivery; or (vi) on the date of disclosure, if notice is made by disclosure through the Online Disclosure System of the PDEX.

A notice made by the Issuer to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the PDEX on a matter relating to the Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication or the date of the disclosure, as the case may be.

Duties and Responsibilities of the Trustee

- (a) The Trustee shall independently perform each of the following duties for the benefit of the Bondholders:
- (i) Coordinate with the Issuer, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Registrar and the Paying Agent in relation to the performance of their respective responsibilities under the relevant Bond Agreements.
 - (ii) Have custody of and hold in its name, for and on behalf of the Bondholders, the Master Certificates of Indebtedness for the Bonds.
 - (iii) Monitor compliance by the Issuer with the Trust Agreement, including the Issuer's compliance or non-compliance with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement; *provided*, that such monitoring shall be based solely on a sworn certification executed by an authorized officer of the Issuer and delivered to the Trustee within seven days from each Interest Payment Date, substantially in the form set out the relevant annex to the Trust Agreement.
 - (iv) Monitor compliance by the Registrar and the Paying Agent with their respective functions and responsibilities prescribed under the Registry and Paying Agency Agreement, and from time to time, request information from the Registrar and Paying Agent on the outstanding Bonds, list of Bondholders, and such other information necessary for the performance of the duties and powers of the Trustee under the Trust Agreement; *provided*, that such monitoring shall be based solely on a sworn certification executed by an authorized officer of the Registrar and the Paying Agent and delivered to the Trustee within seven days from each Interest Payment Date, substantially in the form set out in the relevant annex to the Trust Agreement.
 - (v) Report regularly to Bondholders any non-compliance by the Issuer with the Trust Agreement and any development with respect to the Issuer of which the Trustee may have actual notice or knowledge of based on official disclosures to PDEX, PSE, SEC and other regulatory agencies, or those which the Trustee may have been given actual notice or knowledge of that adversely affects the interest of the Bondholders, including any default by the Issuer on any of its obligations of which the Trustee may have actual notice or knowledge of, and inform the Bondholders, upon the recommendation of legal counsel, of the alternative courses of action that they may take to protect their interest; *provided*, that for purposes hereof, the Trustee shall, without need of any further act or notice to the Issuer, publish a notice once in a newspaper of general circulation, binding upon all the Bondholders wherever situated or located, that the Bondholders or their duly authorized representatives may obtain a report regarding the Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification. If the foregoing notice via publication is not practicable, the Trustee may issue the relevant notice via the other modes of notification as provided under Section 17 of the Trust Agreement. Upon advice of legal counsel, the Trustee shall inform the Bondholders of the alternative courses of action that they may take to protect their interest.
 - (vi) Act on behalf of the Bondholders including calling for and/or attending meetings of the Bondholders in the manner set out in this section. A meeting of the Bondholders may be

called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of the Bonds under any provisions of this Agreement or under Applicable Law or in respect of any matter related to the Bonds.

- (1) A meeting (either a face-to-face meeting or a meeting held through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication) of the Bondholders, for purposes of taking any actions authorized under the Trust Agreement or under Applicable Law or in respect of any matter related to the Bonds may be called by the following: (a) the Trustee, on its own accord or upon the written request of the Issuer, or (b) the Bondholders representing more than twenty-five percent (25%) of the outstanding principal amount of the Bonds. The meeting may be held at such time and at such place or via such mode (as applicable) as the Trustee shall determine.
- (2) Unless otherwise provided in the Trust Agreement, the Trustee shall give notice of every meeting of the Bondholders (which notice must state the purpose thereof in reasonable detail and set forth the time, place, mode (as applicable), requirements and procedures for participating and voting in meetings held through remote communication, and purpose of such meeting in reasonable detail) to the Issuer and each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting and shall publish such notice once in a newspaper of general circulation; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the notice shall be made at least five (5) days prior to the date fixed for the meeting; provided further that, if the foregoing notice via publication is not practicable, the Trustee may issue the relevant notice via the other modes of notification as provided under Section 17 of the Trust Agreement.

The Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than forty-five (45) days before the date of the meeting; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the record date shall not be earlier than fifteen (15) days before the date of the meeting.

- (3) Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Bondholders representing more than twenty-five percent (25%) of the outstanding principal amount of the Bonds within ten (10) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of the Bondholders' meeting in accordance with Section 4.1(a)(vi)(2) of the Trust Agreement.
- (4) The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the

Registrar in accordance with the Registry and Paying Agency Agreement, which list shall include (a) the complete names of the Bondholders (including the name of the authorized representative of the Bondholder, where applicable), (b) the amount of Bonds held by the Bondholders as of the relevant record date, (c) the complete address and contact details of the Bondholders, (d) the specimen signatures of the Bondholders' authorized signatories, and (e) such other information necessary for the performance of the duties and powers of the Trustee under the Trust Agreement as may be requested by the Trustee. The Registrar shall, and the Issuer shall cause the Registrar to, provide the Trustee with a list of Bondholders at least five (5) Business Days upon receipt of written request from the Trustee.

- (5) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided in Section 4.1(a)(vi)(3) of the Trust Agreement in which case the Issuer or the Majority Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolutions by and the results of the votes cast by the Bondholders entitled to vote at the meeting and/or the person appointed by a public instrument in writing as proxy or agent by any such Bondholder in accordance with Section 4.1(vi)(7) of the Trust Agreement. The elected secretary shall immediately provide the Trustee with the copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request, provided that the cost of furnishing the same to the requesting party shall be for such person's account.
- (6) Any meeting of the Bondholders may be adjourned from time to time for a period not to exceed in the aggregate one (1) year from the date for which the meeting shall originally have been called, and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.
- (7) To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Bonds as reflected in the Registry of Bondholders on the Record Date fixed pursuant to Section 4.1(a)(vi)(2) and Section 4.1(a)(vi)(3) of the Trust Agreement, as the case may be, or a Person should be appointed by a public instrument as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting and any representative of the Trustee, of the Issuer and their respective legal counsels.
- (8) Except as otherwise specifically provided in the Trust Agreement, all matters presented for resolution by the Bondholders in a meeting duly called for the

purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (present or represented in a meeting at which there is a quorum).

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee.

- (9) Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of Bonds may take any action (including the making of any demand or request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined such action may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing in accordance with Section 4.1(a)(vi)(7) of the Trust Agreement; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instruments and any such record of meeting of the Bondholders.
 - (10) Notwithstanding the provisions in this Section and other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the terms and conditions of the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to the proof of ownership of the Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.
 - (11) All costs and expenses incurred by the Trustee in connection with the meetings of the Bondholders shall be for the account of the Issuer and shall be paid or reimbursed by the Issuer within ten (10) Business Days from receipt of the duly supported billing statement.
 - (12) Whenever this Section or any other provision of the Trust Agreement provides for a certain percentage of Bondholders who may take any action, this Section or any such provision shall be construed (a) with respect to matters relating only to the Series A Bonds, Bondholders representing the relevant percentage of the outstanding principal amount of the Series A Bonds; (b) with respect to matters relating only to the Series B Bonds, Bondholders representing the relevant percentage of the outstanding principal amount of the Series B Bonds; or (c) with respect to matters affecting the Series A Bonds and Series B Bonds, Bondholders representing the relevant percentage of the outstanding principal amount of the Bonds.
- (vii) Safekeep (1) all records enumerated in Section 3.2 of the Trust Agreement, (2) copies of all submissions of the Issuer to the SEC in connection with the procurement and maintenance of the SEC Registration Documents (as such term is defined in the Trust Agreement), the Bonds Agreements, and (3) such other documents that may be deemed pertinent and as may be reasonably requested by the Trustee in the performance of its functions.

- (viii) Upon written request by the Issuer no later than 11:30 a.m. within ten (10) Business Days following the date the Trustee receives such request, send notice of any matter to the Bondholders, other than those matters the notice of which is specifically required to be given to the Bondholders by another party under the Bond Agreements.

For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with respect to any matters that must be taken up with the Issuer.

- (x) Prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, the Trustee shall perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such diligence, judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters will exercise in the management of their own affairs.

(b) The Trustee, in the performance of its duties, shall exercise such rights and powers vested in it by the Trust Agreement, and observe due diligence required of a prudent and reasonable Person under the same circumstances, in the performance of its duties and obligations under this Agreement. The Trustee may perform any of its duties under the Trust Agreement through its directors, officers, employees, agents, or attorneys-in-fact. Subject to the succeeding paragraph, the Trustee shall not be responsible for the inadequacy of the Issuer to meet and discharge any of its obligations under the Bonds or be liable for any depreciation in value or other losses of the Bonds. Neither shall the Trustee be a surety or a guarantor of the solvency or capacity of the Issuer, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Registrar, the Paying Agent, or any of their authorized representatives. Each Bondholder is deemed to have represented and warranted to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee or the issuer, made its own credit investigation and appraisal of the financial position and affairs of the Issuer on the basis of such documents and information it has deemed appropriate and that it has subscribed to the Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Trustee or the Issuer.

In the absence of willful misconduct, fraud, evident bad faith, gross negligence or breach of Applicable Law on the part of the Trustee, the Issuer and the Bondholders agree to indemnify and hold the Trustee free and harmless from and against any and all claims, liabilities, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations under the Trust Agreement.

(c) Reliance in good faith on the information submitted by the Issuer, the Bondholders, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Registrar and the Paying Agent, or any of their authorized representatives pursuant to the terms and conditions of the Bond Agreements, after exercising the due diligence required of a prudent and reasonable person under the same circumstances, shall absolve the Trustee from any liability. The Trustee shall be fully protected in acting in accordance with the written directions, requests, instructions, and certifications of the Issuer, the Bondholders, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Registrar, or the Paying Agent, or any of their authorized representatives

pursuant to the terms and conditions of the Bond Agreements, to the extent permitted by Applicable Law.

The Trustee may rely on any communication or document believed by it in good faith to be genuine after exercising the due diligence required of a prudent and reasonable Person under the same circumstances, and may rely on the statements of any of the Issuer, the Bondholders, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Paying Agent, the Registrar or any of their authorized representatives, on any matter or fact which might reasonably be expected to be within the knowledge of the latter.

The Trustee may request from the Issuer, the Bondholders, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, the Paying Agent or the Registrar, or any of their authorized representatives, for any information and/or assistance as the Trustee may reasonably require to enable it to perform its rights, powers, duties, functions, authorities, and discretion under the Trust Agreement, including but not limited to a certification of compliance (in the form set out in the relevant annex to the Trust Agreement) to be delivered by the Issuer on a quarterly basis to confirm the Issuer's compliance with its obligations and undertakings under the Bonds and the Trust Agreement. The Issuer shall submit the certification of compliance for the first three (3) quarters of the Issuer's fiscal year within forty-five (45) days from the end of the relevant quarter, and the annual certification of compliance within one hundred and twenty (120) days from the end of its fiscal year.

The Trustee may presume that no Event of Default has occurred until it has received notice thereof and it may conclusively rely upon the certification of compliance to be delivered by the Issuer.

(d) In coordination with the Issuer, the Trustee may seek the advice of legal counsel, and take any action in accordance with the written advice of such legal counsel; provided, however, that coordination with the Issuer shall not be necessary if there is an occurrence of an Event of Default. Any such action taken or suffered in good faith by the Trustee as a consequence of the reasonable opinion of the said legal counsel, shall be conclusive and binding upon the Issuer and the Bondholders, and the Trustee shall be fully protected from any liability for any loss or damage suffered or caused to be suffered by the Issuer and/or the Bondholders by virtue thereof, provided there is no concurrent breach by the Trustee of its obligations under the Trust Agreement.

The Trustee may assume that the Issuer has taken and obtained such necessary legal and other advice and opinion in respect of the actions taken or suffered by the Trustee in accordance with the foregoing paragraph and that the same is satisfactory to it, so that the Trustee shall have no obligation or responsibility to seek or obtain any other independent or additional advice or opinion and shall not be liable for any loss or damage suffered or incurred by the Issuer and/or the Bondholders as a result thereof.

All costs and expenses (if any), including legal fees, incurred by the Trustee in connection with such action shall be reimbursed by the Issuer within five (5) Business Days from receipt of the duly supported billing statement.

(e) The Trustee may refrain from doing anything under the Trust Agreement that would or might in its reasonable opinion be contrary to Applicable Law or render it liable to any Person, and until it has been indemnified or secured to its satisfaction against any and all costs, losses, expenses, or liabilities which it would or might sustain or incur as a result. The Trustee may

refrain from performing any action not expressly provided in the Trust Agreement unless it is first given the proper written instructions by the Issuer and until it has been indemnified or secured to its satisfaction against any and all costs, losses, expenses, or liabilities which it would or might sustain or incur as a result, except if there is an occurrence of an Event of Default.

(f) Except as may be necessary to perform its duties under the Trust Agreement and as required by Applicable Law, the Trustee (i) shall permanently keep privileged and confidential, separate and distinct, any information, data, documents, files, properties, funds, or any other matter which it may acquire pursuant to the Trust Agreement or obtained in the course of the performance of its duties and functions as a Trustee, (ii) shall refrain from disclosing any such information or item in any manner, whether written, verbal, telegraphic, coded, or encrypted, whether in physical, electronic, or any other form or media, and (iii) hereby undertakes not to use any such information or item for its own benefit or for the benefit of any of its clients regardless of whether or not such use can be shown to cause disadvantage, injury, or damage to the Issuer; *provided*, that where any disclosure of the foregoing information is required by Applicable Law, the Trustee shall, to the extent permitted by Applicable Law, consult with and properly apprise the Issuer of such legal requirement prior to the proposed disclosure and give reasonable opportunity to the Issuer to consider the same before the Trustee makes any decision to release it. This paragraph (f) shall survive the Trust Agreement.

(g) For the faithful performance of its duties under the Trust Agreement, the Trustee shall not be required to furnish any bond or undertaking.

(h) Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the need for the execution or filing of any paper or any further act on the part of any parties hereto, anything to the contrary notwithstanding; provided that such successor trustee shall be eligible to act as trustee under the provisions of the Trust Agreement and under Applicable Law.

(i) The Trustee shall collect, process, retain, share, dispose and destroy the personal and/or sensitive personal information (the “**Information**”) of the Bondholders in accordance with the Data Privacy Act of 2012 and its Implementing Rules and Regulations. The Trustee shall not sell, trade or otherwise share the Information for marketing purposes to third parties without the written consent of the relevant Bondholder. The Trustee may disclose the Information to:

- (i) government or regulatory agencies if required by the Applicable Law, or if reasonably determined by the Trustee to be necessary in relation to the use of the Information in connection with the provision of any service related to the Trust Agreement, and for data processing, storage, retention, collection, sharing, disposal and destruction as may be necessary for the provision of such service, anti-money laundering monitoring, review and reporting, or for purposes of complying with any law or regulation, for law enforcement purposes, national security or public interest (the “**Purpose**”);
- (ii) its employees, directors, officers, representatives, agents, advisors, counsels, and service providers as the Trustee deems it reasonably necessary in relation to the Purpose; and

- (iii) its Subsidiaries and Affiliates as well as employees, directors, officers, representatives, agents, advisors, counsels, and service providers of such Subsidiaries and Affiliates, as the Trustee deems it reasonably necessary in relation to the Purpose.

In addition to the above, the Trustee is appointed as trustee for and on behalf and benefit of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement.

Except as may be otherwise provided in the Trust Agreement, the Trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Trust Agreement if there is reasonable ground to believe that the repayment of such funds or liability is not reasonably assured to them under the terms of the Trust Agreement.

The Trust Agreement provides for other obligations of the Trustee and terms and conditions applicable to the Trustee's discharge of its functions under the agreement.

Resignation and Change of Trustee

a) The Trustee may at any time resign by giving at least ninety (90) days' prior written notice to the Issuer of such resignation (or such lesser period as may be agreed by the Issuer).

b) Upon receipt of such notice of resignation of the Trustee, the Issuer shall immediately appoint a replacement trustee, who shall be acceptable to the Issuer, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the replacement trustee. If no replacement trustee shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a replacement trustee, or any Bondholder who has been a bona fide holder for at least the immediately preceding six (6) months may, for and in behalf of the Bondholders, petition any such court for the appointment of a replacement. Such court may thereupon after notice, if any, as it may deem proper, appoint a replacement trustee.

Subject to paragraph (e) below, a replacement trustee must possess all the qualifications required under pertinent laws and the Trust Agreement.

c) In case at any time the Trustee (i) shall fail to comply with the provisions of the Trust Agreement in relation to conflict of interest, after written request therefor by the Issuer or by any Bondholder, (ii) shall cease to be eligible in accordance with the provisions of the Trust Agreement or Applicable Law and shall fail to resign after written request therefor by the Issuer or by any Bondholder; (iii) in the reasonable opinion of the Issuer, has committed fraud, bad faith, willful misconduct or gross negligence or has otherwise violated Applicable Law, in each case, in the performance of any material obligation under the Trust Agreement; or (iv) shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee, and appoint a replacement trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be

delivered to the Trustee so removed and one (1) copy to the replacement trustee. If the Issuer fails to remove the Trustee and appoint a replacement trustee, any Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a replacement trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a replacement trustee.

d) The Majority Bondholders may at any time remove the Trustee for just and reasonable cause, and with consent of the Issuer (provided that no consent of the Issuer shall be required if there has been an occurrence of an Event of Default), appoint a replacement trustee, by the delivery to the Trustee so removed, to the replacement trustee and to the Issuer of the evidence (as provided for in the Trust Agreement) of the action in that regard taken by the Majority Bondholders, which removal shall take effect thirty (30) days from receipt of such notice by the Trustee; provided, that if no replacement trustee shall have been appointed within ninety (90) days from the receipt of the Issuer of the written evidence (as provided for in the Trust Agreement) of the action taken, the Majority Bondholders may appoint a replacement trustee without the consent of the Issuer. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the law or in equity.

e) Any resignation or removal of the Trustee and appointment of a replacement trustee pursuant to any of the provisions of the Trust Agreement shall become effective upon the earlier of: (i) the acceptance of appointment by the replacement trustee as provided in the Trust Agreement; and (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided, however, that until such replacement trustee is qualified and appointed, the outgoing Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the replacement trustee promptly upon the appointment thereof by the Issuer.

f) Within ten (10) days from the effectiveness of the resignation or removal of the outgoing trustee and the appointment of the replacement trustee, the outgoing trustee shall transfer and turn over to the replacement trustee, and shall make an accounting of, all the assets, documents or instruments which are in the custody of the outgoing trustee, if any.

Replacement Trustee

a) The replacement trustee must have the following qualifications:

- (i) it is a financial institution duly organized, validly existing, in good standing under and by virtue of the laws of the Philippines with full powers and authority to undertake its duties as trustee and duly authorized by the BSP to engage in trust and other fiduciary business;
- (ii) it must be a third party that has no subsidiary or Affiliate or any other relationship with the Issuer which would undermine its independence, including any conflict of interest under Section 11.1(c) of the Trust Agreement; and
- (iii) it must have an adequate risk management and must be sufficiently capitalized as evidenced by its compliance with the risk based capital adequacy ratio prescribed under applicable BSP regulations.

b) Any replacement trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment, and thereupon the

resignation or removal of the outgoing trustee shall become effective and such replacement trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor under the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the replacement trustee, the trustee ceasing to act as such shall execute and deliver an instrument transferring to the replacement trustee, all the rights, powers and duties of the trustee so ceasing to act as such. Upon request of any such replacement trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such replacement trustee all such rights, powers and duties.

c) Upon acceptance of the appointment by a replacement trustee as provided in this section, the Issuer shall notify the Bondholders in writing and/or by publication once in a newspaper of general circulation in Metro Manila, Philippines, of the replacement of such replacement trustee to the trust provided in the Trust Agreement. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the replacement trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

Reports to the Bondholders

Only upon the existence of either (a) and (b) below, the Trustee shall submit to the Bondholders on or before March 1 of each year from the Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

- a) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report which shall be based on the report to be given by the Paying Agent to the Trustee upon request by the Trustee through the Issuer; and
- b) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Registrar and Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, the remaining unpaid amounts of such advance is at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

Inspection of Documents

Upon due notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

- a) the Trust Agreement,
- b) the Registry and Paying Agency Agreement,
- c) the Articles of Incorporation and By-Laws of the Company, and
- d) the Registration Statement of the Issuer with respect to the Bonds (including the Bonds) with the Prospectus.

17. MEETINGS

Meetings of Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of the Bonds under any other provisions of this Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

The following discussion is qualified by the more detailed information as contained in the Trust Agreement.

Notice of Meetings

A meeting (either a face-to-face meeting or a meeting held through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication) of the Bondholders for purposes of taking any actions authorized under the Trust Agreement or under Applicable Law or in respect of any matter related to the Bonds may be called by the following: (a) the Trustee, on its own accord or upon the written request of the Issuer, or (b) the Bondholders representing more than twenty-five percent (25%) of the outstanding principal amount of the Bonds. The meeting may be held at such time and at such place or via such mode (as applicable) as the Trustee shall determine.

Unless otherwise provided herein, the Trustee shall give notice of every meeting of the Bondholders (which notice must state the purpose thereof in reasonable detail and set forth the time, place, mode (as applicable), requirements and procedures for participating and voting therein) to the Issuer and each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting and shall publish such notice once in a newspaper of general circulation; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the notice shall be made at least five (5) days prior to the date fixed for the meeting; provided further that, if the foregoing notice via publication is not practicable, the Trustee may issue the relevant notice via the other modes of notification as provided under Section 17 of the Trust Agreement.

The Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than forty-five (45) days before the date of the meeting; provided that, if the purpose of the meeting is to take any decision or action in respect of an Event of Default or potential Event of Default or the issuance of a Declaration of Default, the record date shall not be earlier than fifteen (15) days before the date of the meeting.

All costs and expenses incurred by the Trustee in connection with the meetings of the Bondholders shall be for the account of the Issuer and shall be paid or reimbursed by the Issuer within ten (10) Business Days from receipt of the duly supported billing statement.

Failure of the Trustee to Call a Meeting

Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Bondholders representing more than twenty-five percent (25%) of the outstanding principal amount of the Bonds within ten (3) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of the Bondholders' meeting and fix the record date for determining the Bondholders entitled to attend and vote in accordance with the procedure set forth under "*Description of the Bonds – Notice of Meetings*".

Quorum

The presence of Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar in accordance with the Registry and Paying Agency Agreement, which list shall include (a) the complete names of the Bondholders (including the name of the authorized representative of the Bondholder, where applicable), (b) the amount of Bonds held by the Bondholders as of the relevant record date, (c) the complete address and contact details of the Bondholders, (d) the specimen signatures of the Bondholders' authorized signatories, and (e) such other information necessary for the performance of the duties and powers of the Trustee under the Trust Agreement as may be requested by the Trustee. The Registrar shall, and the Issuer shall cause the Registrar to, provide the Trustee with a list of Bondholders and the foregoing information at least five (5) Business Days upon receipt of written request from the Trustee.

Procedure for Meetings

a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided under "*Description of the Bonds – Failure of the Trustee to Call a Meeting*" in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolutions by and the results of the votes cast by the Bondholders entitled to vote at the meeting and/or the Person appointed by a public instrument as proxy or agent by any such Bondholder in accordance with the procedure set forth in "*Description of the Bonds – Voting Rights*". The elected secretary shall immediately provide the Trustee with a copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request, provided that the cost of furnishing the same to the requesting party shall be for such person's account.

b) Any meeting of the Bondholders may be adjourned from time to time for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called, and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Bonds as reflected in the Registry of Bondholders on the relevant Record Date fixed by the Trustee, the Issuer or the Majority Bondholders (as the case may be) pursuant to the Trust Agreement, or a Person appointed in writing by a public instrument as proxy or agent by any

such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting, the Trustee, and any representative of the Issuer and its legal counsel.

Voting Requirement

Except as otherwise specifically provided in the Trust Agreement, all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (which should be present or represented in a meeting at which there is a quorum).

Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee.

Evidence Supporting the Action of the Bondholders

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing in accordance with the procedure set forth in "*Description of the Bonds – Voting Rights*", or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to proof of ownership of the Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

18. NON-RELIANCE

Each Bondholder also represents and warrants to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Bonds and on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all claims, liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the

Trustee in respect of its obligations under the Trust Agreement, except for its gross negligence, fraud, evident bad faith, willful misconduct or breach of Applicable Law on the part of the Trustee.

19. EXECUTION OF AMENDMENTS OR SUPPLEMENTAL AGREEMENTS

The Issuer and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Trust Agreement if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency; provided, in all cases, that such amendment or waiver does not adversely affect the interests of the Bondholders; provided, further, that all Bondholders are notified of such amendment or waiver.

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of its board of directors or the executive committee of its board of directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental to the Trust Agreement for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, that no such supplemental agreement shall:

- a) without the consent of all Bondholders affected thereby: (i) extend the maturity date of the Bonds; or (ii) reduce the principal amount of the Bonds, or (iii) reduce the rate or extend the time of payment of interest and principal thereon;
- b) impair the right of any Bondholder to (i) receive payment of principal of and interest on the Bonds on or after the due dates therefore, or (ii) to institute suit for the enforcement of any payment on or with respect to such Bondholder;
- a) affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders;
- b) make any Bond payable in money other than that stated in the Terms and Conditions;
- c) subordinate the Bonds to any other obligation of the Issuer;
- d) amend or modify the provisions of the Terms and Conditions on Taxation, the Events of Default or the provisions under "*Description of the Bonds - Waiver of Default by the Bondholders*";
- e) reduce the percentage of the Bondholders required to be obtained under the Trust Agreement for their consent to or approval of any supplemental agreement or any waiver provided for in the Trust Agreement, without the consent of all the Bondholders; or
- f) make any change or waiver of the conditions under this section (*Description of the Bonds - Execution of Amendments or Supplemental Agreements*).

It shall not be necessary to obtain the consent of the Bondholders under this section (*Description of the Bonds - Execution of Amendments or Supplemental Agreements*) for the

purpose of approving the particular form of any proposed supplemental agreement but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant hereto shall be conclusive and binding upon all Bondholders and upon all future holders and owners of the Bonds or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

Promptly after the execution by the Issuer and the Trustee of any supplemental agreement pursuant to the provisions of this this section (*Description of the Bonds - Execution of Amendments or Supplemental Agreements*), the Issuer shall send a notice to the Bondholders setting forth in general terms the substance of such supplemental agreement. Any failure of the Issuer to send such notice or any defect therein shall not, however, in any way impair or affect the validity of any supplemental agreement.

20. GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.

21. VENUE

Any suit, action, or proceeding arising out of, or relating to, the Bonds or the Trust Agreement shall be brought in any competent court in the City of Makati, to the exclusion of all other courts and venues, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer, the Trustee and the Bondholders expressly waiving other venue.

22. WAIVER OF PREFERENCE

The obligations created under the Bonds and the Trust Agreement shall not enjoy any priority of preference or special privileges by virtue of Article 2244, paragraph 14(a) of the Civil Code of the Philippines over any Debt of the Issuer. Accordingly, whatever priorities or preferences that the Bonds and the Trust Agreement may have, or any Person deriving a right hereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines shall be automatically revoked or deemed not given should any bank, lender or creditor to the Issuer or any claimant against the Issuer have a preference or priority over amounts owing under their respective agreements as a result of a notarization, and the Issuer has not either procured a waiver of this preference to the satisfaction of the Trustee in respect of the Bonds and the Trust Agreement, or equally and ratably extend such preference to the Bondholders and the Trustee in respect of the Bonds and the Trust Agreement.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership, and disposition of the Bonds. This Preliminary Prospectus excludes any discussion on the taxation outside the Philippines of a non-resident holder. The discussion below does not cover the taxes on the Company or on its operations. The statements made regarding taxation in the Philippines are based on the laws in force at the date of this prospectus and are subject to any changes in law occurring after such date.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Preliminary Prospectus.

The tax treatment of a Bondholder may vary depending upon such Bondholder's particular situation, and certain Bondholders may be subject to special rules not discussed below. This summary does not purport to discuss and address all tax aspects that may be important to a Bondholder.

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 one hundred eighty (180) days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of one hundred eighty (180) days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

On January 1, 2018, Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" ("TRAIN") Act, took effect. The TRAIN Act amended provisions of the National Internal Revenue Code of 1997 ("Tax Code") including provisions on Documentary Stamp Tax, Tax on Interest Income and Other Distributions, Estate Tax, and Donor's Tax.

On March 26, 2021, Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Law ("CREATE") was signed into law and took effect 15 days after publication in the Official Gazette or on April 10, 2021. The law imposes an outright 5% cut in the country's corporate income tax rate. Corporate income taxes will be lowered from 30% to 25% effective July 1, 2020. For businesses with an annual net income below ₱5 million and with total assets not exceeding ₱100 million, excluding the land on which the business' office, plant, and equipment are

situated, the corporate income tax is immediately reduced to only 20%. CREATE Law likewise rationalizes fiscal incentives by making them time-bound and performance-based.

Under the tax bill for the enactment of the Passive Income and Financial Intermediary Taxation Act (“PIFITA”) (House Bill No. 304), there are several proposed amendments to the taxation of passive income, including the reduction of interest income from corporate bonds that may be considered as deposit substitutes. The PIFITA seeks to impose a uniform tax rate of 15% final withholding tax on all interest income, yield or other monetary benefit earned or received from a debt instrument, deposit and deposit substitute and similar arrangements, regardless of currency, maturity, issuer, pre-termination, and other differentiating factors.

TAXATION OF INTEREST

Interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income arising from bonds as deposit substitutes derived by Philippine citizens, resident foreign individuals, domestic corporations, and resident foreign corporations is subject to final withholding tax at the rate of 20%. Generally, interest on bonds or other deposit substitutes received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% withholding tax while the tax rate for non-resident foreign individuals not engaged in trade or business is at 25%. Interest income derived by non-resident foreign corporations from bonds or other deposit substitutes is subject to a reduced rate of 25% with retroactive effect from January 1, 2021 pursuant to the CREATE Law. The income tax is withheld at source and constitutes a final settlement of Philippine income tax liability with respect to such interest.

Deposit substitutes are defined under the Tax Code as “an alternative form of obtaining funds from the public (the term ‘public’ means borrowing from twenty (20) or more individual or corporate lenders at any one time), other than deposits, through the issuance, endorsement, or acceptance of debt instruments for the borrower’s own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. These instruments may include, but need not be limited to, bankers’ acceptances, promissory notes, repurchase agreements, including reverse repurchase agreements entered into by and between the *Bangko Sentral ng Pilipinas* (BSP) and any authorized agent bank, certificates of assignment or participation and similar instruments with recourse: Provided, however, That debt instruments issued for interbank call loans with maturity of not more than five (5) days to cover deficiency in reserves against deposit liabilities, including those between or among banks and quasi- banks, shall not be considered as deposit substitute debt instruments.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% or 15% in cases where the interest arises in the Philippines and is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment. Thus, non-resident foreign bondholders who maintain and conduct business activities in the Philippines may not qualify for reduced withholding tax treaty rates on interest payments because they may be considered as having a taxable presence in the Philippines by

reason of such business activities. Thus, availing of such reduced tax treaty rates will require confirmation of entitlement thereto from the BIR, as discussed below.

Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits, dated March 31, 2021) modified Revenue Memorandum Order No. 72-2010 (Guidelines on the Processing of Tax Treaty Relief Applications (TTRA). Pursuant to Existing Philippine Tax Treaties dated August 25, 2010) and Revenue Memorandum Order No. 08-2017 (Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners dated October 24, 2016) are among the BIR regulations which have to be complied with to avail of preferential tax treatment under an applicable tax treaty. Under Revenue Memorandum Order No. 14-2021, an issuer may apply the preferential tax treaty rate on the interest income of the non-resident foreign bondholder by relying on the submission by such bondholder of the following documents before the interest income is paid: (a) an application form for tax treaty purposes (BIR Form 0901-I for interest), (b) an authenticated or apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the Bondholder, and (c) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on interest income. Failure to submit these documents will lead to withholding using the regular rates prescribed under the Tax Code, as amended, for nonresident foreign corporations or nonresident aliens not engaged in trade or business, as the case may be, and not the treaty rate. If the tax treaty rate was applied by the Issuer, it will file with the BIR's International Tax Affairs Division ("ITAD") a request for confirmation of the use of the tax treaty rate after the payment of the withholding tax no later than the last day of the fourth month following the close of the relevant taxable year with supporting documents specified in Revenue Memorandum Order No. 14-2021. If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and the BIR will require the issuer to pay the deficiency taxes with penalties. In case the issuer used the regular rate under the Tax Code, the non-resident foreign bondholder may file a tax treaty relief application ("TTRA") with ITAD after it has received the dividend income with supporting documents specified in Revenue Memorandum Order No. 14-2021. If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits, and the bondholder may apply for a refund of excess withholding tax within the two-year period provided in Section 229 of the Tax Code. The claim for refund of the bondholder may be filed simultaneously with the TTRA.

TAX-EXEMPT STATUS

Bondholders who are exempt from or are not subject to final withholding tax on interest income may claim such exemption by submitting necessary documents. Said Bondholder shall submit the following requirements to the Registrar, or to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (i) a current and valid BIR certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption from taxation of interest on fixed income securities; (ii) a duly notarized undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippines law to perform trust and fiduciary functions and purchase the Bonds 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 Company and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificate or preferential rate entitlement, and agreeing to indemnify and hold the Company and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; provided further that, all sums payable by the Company to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption or reasonable evidence of such exemption to the Registrar and Paying Agent.

Bondholders may transfer their Bonds at any time, regardless of the tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non-tax exempt entities shall be treated as non-tax exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Registry of Bondholders after the Bonds are listed on PDEX shall be allowed between non-tax-exempt and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEX and PDTC.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the required supporting documents within three (3) days of such transfer.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Bonds in the Philippines by Philippine-registered dealers in securities and lending investors shall be subject to 12% VAT.

"Dealer in securities" means a merchant of stock or securities, whether an individual partnership or corporation, with an established place of business, regularly engaged in the purchase of securities and their resale to customers, that is, one who, as a merchant, buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions, and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

- Maturity period is five years or less: 5%
- Maturity period is more than five years: 1%

Non-bank financial intermediaries not performing quasi-banking functions but doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions, and discounts from

lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

- Maturity period is five years or less: 5%
- Maturity period is more than five years: 1%

In case the maturity period referred above is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the offer price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred when the obligation or right arises from Philippine sources, or the property is situated in the Philippines.

No documentary stamp tax is imposed on the subsequent sale or disposition of bonds as long as there is no change in the maturity date or in the remaining period of coverage or the material terms and conditions of the Bonds, or there is no renewal or no issuance of new Bonds in the name of the transferee, or no novation of the Bonds, and trading the Bonds in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Under the Tax Code, gains realized from the sale, exchange, or retirement of bonds, debentures, and other certificates of indebtedness with an original maturity date of more than five (5) years (as measured from the date of issuance of such bonds, debentures, or other certificates of indebtedness) shall not be subject to income tax. If the Bonds have a maturity of less than five (5) years, any gain realized by a Bondholder from the trading of the Bonds shall be subject to regular individual or corporate income tax, as the case may be.

In the case of Bonds held as an ordinary asset, the gain is included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens or resident foreign individuals, or non-resident alien engaged in trade or business in the Philippines effective January 1, 2018, until December 31, 2022:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	20% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱30,000 + 25% of the excess over ₱400,000

Over ₱800,000 but not over ₱2,000,000	₱130,000 + 30% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱490,000 + 32% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,410,000 + 35% of the excess over ₱8,000,000

and effective January 2, 2023, and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain shall be subject to the 25% final withholding tax. Gains derived by domestic or resident foreign corporations on the sale or other disposition of the bonds or other deposit substitutes are subject to a reduced rate of 25%, with retroactive effect from July 1, 2020 as provided in the CREATE Law. Gross income derived by non-resident foreign corporations on the sale or other disposition of the bonds or other deposit substitutes is subject to a reduced rate of 25%, with retroactive effect from January 1, 2021 pursuant to CREATE Law unless a preferential rate is allowed under a tax treaty subject to compliance with BIR regulations and such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Any gains realized by non-residents on the sale of the bonds or other deposit substitutes may be exempt from Philippine income tax under an applicable tax treaty subject to compliance with BIR regulations and such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

In case of the Bonds which are held as capital assets, individuals or corporate bondholders shall be subject to the full amount of the capital gain or loss recognized upon the sale or exchange of a capital asset if such Bonds have been held for less than twelve (12) months. If such Bonds have been held for more than twelve (12) months, then in the case of an individual Bondholder, only 50% of the capital gain or loss is recognized while 100% of the capital gain or loss is recognized in the case of corporate Bondholders. Any gains realized by non-residents on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty.

The pending legislation for the enactment of the PIFITA, as described above, also seeks to revoke the exemption of income arising from the sale, barter, or exchange of long-term bonds and certificates of indebtedness in general from being considered as part of taxable gross income subject to regular or ordinary graduated income tax for individuals, and 25% regular corporate income tax or 1% or 2% minimum corporate income tax, as the case may be, for domestic and resident foreign corporations, and 25% final withholding tax for non-resident foreign corporations with retroactive effect from January 1, 2021 pursuant to the CREATE Law.

ESTATE AND DONOR'S TAX

The transfer by a deceased person, whether a Philippine resident or non-Philippine resident, to his heirs of the Bonds, shall be subject to an estate tax which is levied on the net estate of the deceased at a fixed rate of 6%. A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at a fixed rate of 6% of the net gifts made during the calendar year in excess of

₱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.

The estate tax and donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased at the time of 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 deceased 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 the foreign country.

In case the Bonds 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 Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, a sale, exchange, or other transfer made in the ordinary course of business (a transaction which is 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.

PHILIPPINE FOREIGN EXCHANGE

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, an investment in listed Philippine securities (such as the Bond) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such Bond is to be sourced from the Philippine banking system. The registration with the BSP is evidenced by the Bangko Sentral Registration Document. Under BSP Circular No. 1030 dated 05 February 2019, debt securities, purchase of condominium units, and capital expenses incurred by foreign firms pursuant to government approved-service contracts and similar contracts, and Philippine depositary receipts must likewise be registered with the BSP if foreign exchange will 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, money changers and remittance agents to R.A. No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit, among others, the original BSP registration document in connection with their application to purchase foreign exchange exceeding US\$5,000.00 for purposes of capital repatriation and remittance of dividends.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in the Bonds shall be the responsibility of the foreign investor.

PLAN OF DISTRIBUTION

The Offer

The Company shall issue the Bonds to institutional and retail investors in the Philippines through a public offering, to be conducted through the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. The Offer does not include an international offering. The Bonds will be issued by the Company pursuant to the terms and conditions of the Bonds on the Issue Date.

The Offer will consist of the primary offer of an aggregate principal amount of ₱3,000,000,000.00 with an Oversubscription Option of up to ₱2,000,000,000.00 comprised of 3-year and/or 5-year fixed rate bonds due 2024 and 2026, respectively. The Company has the discretion to allocate the Bonds between the Series A Bonds and Series B Bonds, or, to fully allocate the Bonds to just one series, based on the book building process conducted by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. In case the Oversubscription Option is not fully exercised during the Offer Period, the Bonds under the Oversubscription Option that will not be taken up during the Offer Period shall be deemed cancelled.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner

China Bank Capital Corporation has been appointed as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner for the Offer.

China Bank Capital Corporation is the wholly-owned investment banking subsidiary of China Banking Corporation (“China Bank”). It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Bank’s Investment Banking Group. The firm offers a full suite of investment banking solutions, which include arranging, managing, and underwriting bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as structuring, valuation, and execution of M&A deals, joint ventures, and other corporate transactions.

China Bank Capital Corporation, pursuant to the Underwriting Agreement with the Company, has agreed to act as the Sole Issue Manager, Lead Underwriter and Sole Bookrunner for the Offer and as such, distribute and sell the Bonds at the Issue Price, and has also committed to underwrite ₱3,000,000,000.00 of the Bonds on a firm basis, subject to the satisfaction of certain conditions provided in the Underwriting Agreement.

In consideration for its services in relation to the Offer, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner will receive a fee of up to 36.84 basis points on the underwritten principal amount of the Bonds issued. Such fee shall be inclusive of underwriting and participation commissions to selling agents, if any.

There is no arrangement for the Sole Issue Manager, Lead Underwriter and Sole Bookrunner to return any unsold Bonds to the Company. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to the Company of the net proceeds of the Offer. In case the Underwriting Agreement is terminated, the Company shall notify the SEC of the termination and its subsequent course of action.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner is duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Sole Issue Manager, Lead Underwriter and Sole Bookrunner may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Company.

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner has no direct relations with the Company in terms of ownership by its major stockholder/s. There is no arrangement giving the Sole Issue Manager, Lead Underwriter and Sole Bookrunner the right to designate or nominate member(s) to the Board of Directors of the Company.

Sale and Distribution

The distribution and sale of the Bonds shall be undertaken by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner from purchasing the Bonds for its account.

There are no persons to whom the Bonds are allocated or designated. The Bonds shall be offered to the public at large and without preference.

Depending on the actual or expected demand for the Bonds during the Offer Period, the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may opt to exercise the Oversubscription Option which shall be distributed to investors. Upon the exercise of the Oversubscription Option, the portion exercised will be underwritten by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

Manner of Distribution

The Sole Issue Manager, Lead Underwriter and Sole Bookrunner shall, at its discretion, determine the manner by which proposals for subscriptions to, and issuances of, Bonds shall be solicited, with the primary sale of Bonds to be effected only through the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

Offer Period

The Offer Period shall commence at 9:00 a.m. on September 3, 2021 and end at 5:00 p.m. on September 8, 2021, or on such other dates as the Issuer and the Sole Issue Manager, Lead Underwriter and Sole Bookrunner may agree upon.

Application to Purchase

The procedure set out in this section and the succeeding sections should be read together with the more detailed procedure and other conditions set out in the Application to Purchase.

Applicants may purchase the Bonds during the Offer Period by submitting to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner properly completed Applications to Purchase, whether originally signed or electronically submitted (through the e-Securities Issue Portal (“e-SIP”)), together with all applicable supporting documentation in the prescribed form and submitted in the prescribed manner, and the full payment of the Purchase Price of the Bonds in the manner provided therein. Purchase Price means, in respect of each Bond, an amount equal

to the face value of such Bond, which is payable upon submission of the duly executed Application to Purchase.

Corporate and institutional applicants may also be required to submit, in addition to the foregoing:

- a. an original notarized certificate of the corporate secretary (or the managing director in case of a partnership) or an equivalent officer of the Applicant setting forth resolutions of the board of directors, partners or equivalent body (i) authorizing the purchase of the Bonds indicated in the Application to Purchase and (ii) designating the signatories, with their specimen signatures, for the said purposes;
- b. Articles of Incorporation, By-Laws (or the Articles of Partnership in case of a partnership), and latest amendments thereof together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);
- c. two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies) (whose authority(ies) and specimen signatures will be submitted to the Registrar);
- d. BIR Certificate of Registration showing the Applicant's Tax Identification Number;
- e. identification document(s) of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and
- f. such other documents as may be reasonably required by any of the Lead Underwriter, Selling Agents (if any) or the Registrar in the implementation of its internal policies regarding "know your customer" and anti-money laundering.

Individual applicants may also be required to submit, in addition to accomplished Application to Purchase and its required attachments:

- a. a photocopy of any one of the following identification cards ("ID"), subject to verification with the original ID: passport, driver's license, postal ID, company ID, SSS/GSIS ID, and/or Senior Citizen's ID or such other ID and documents as may be required acceptable to the selling bank, which must be valid as of the date of the application;
- b. two (2) duly accomplished signature cards containing the specimen signature of the Applicant;
- c. validly issued tax identification number issued by the BIR; and
- d. such other documents as may be reasonably required by the Lead Underwriter, Selling Agents (if any) or the Registrar and Paying Agent in the implementation of their

respective internal policies regarding “know your customer” and anti-money laundering.

Applicants claiming exemption from any applicable tax, or entitlement to preferential tax rates shall be required to submit the following requirements, subject to acceptance by the Issuer as being sufficient in form and substance:

- a. BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant applicant or Bondholder, confirming its exemption or its entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and for tax-exempt Personal Equity Retirement Account (PERA) established pursuant to PERA Act of 2008, a certified true copy of the Bondholder’s current, valid and subsisting Certificate of Accreditation as PERA Administrator;
- b. with respect to tax treaty relief, the Issuer may apply the preferential tax treaty rate on the interest income of the non-resident foreign Bondholder by relying on the submission by such Bondholder of the following documents before the interest income is paid:
 - (i) on an application form for tax treaty purposes (BIR Form 0901-I for interest);
 - (ii) an authenticated or apostilled tax residency certificate duly issued by the relevant foreign tax authority in favor of the Bondholder; and
 - (iii) the relevant provision of the applicable tax treaty which prescribes the preferential tax treatment on interest income.

Failure to submit these documents will lead to withholding using the regular rates prescribed under the Tax Code, as amended, for nonresident foreign corporations or nonresident aliens not engaged in trade or business, as the case may be, and not the treaty rate.

If the tax treaty rate was applied by the Issuer, it will file with the BIR’s International Tax Affairs Division (“ITAD”) a request for confirmation of the use of the tax treaty rate after the payment of the withholding tax no later than the last day of the fourth month following the close of the relevant taxable year with supporting documents specified in Revenue Memorandum Order No. 14-2021. If the BIR determines that the withholding tax rate used is lower than the applicable tax rate that should have been applied, or that the non-resident taxpayer is not entitled to treaty benefits, the request for confirmation will be denied and the BIR will require the Issuer to pay the deficiency taxes with penalties.

In case the Issuer used the regular rate under the Tax Code, the non-resident foreign Bondholder may file a tax treaty relief application (“TTRA”) with ITAD after it has received the dividend income with supporting documents specified in Revenue Memorandum Order No. 14-2021. If the BIR determines that the withholding tax rate applied is higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient’s entitlement to treaty benefits, and the Bondholder may apply for a refund of excess withholding tax within the two-

year period provided in Section 229 of the Tax Code. The claim for refund of the Bondholder may be filed simultaneously with the TTRA.

- c. a duly notarized undertaking executed by:
- (iii) the corporate secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption or entitlement to preferential tax treatment based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account; or
 - (iv) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds 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 Registrar and the Paying Agent:
 - a. of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement;
 - b. if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature and method of operation, which are inconsistent with the basis for its income tax exemption; or
 - c. if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential rate, 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 Registrar 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, provided, that in case of corporate, partnership or trust account investors, such investor shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose.
- d. such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders; *provided further* that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges (or with reduced rates, as the case may be), subject to the submission by the Bondholder claiming the benefit of any exemption or preferential rate of reasonable evidence of such exemption or preferential rate treatment to the Registrar and Paying Agent.

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Unless properly provided with satisfactory proof of the tax-exempt status or entitlement to preferential rates of an Applicant or a Bondholder, each of the Company and the Registrar and Paying Agent may assume that such Bondholder is taxable and proceed to apply the tax due on the Bonds. Notwithstanding the submission by the Bondholder, or the receipt by the Company or any of its agents, of documentary proof of the tax-exempt status or entitlement to preferential rates of a Bondholder, the Company may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Company.

Provided that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Completed Applications to Purchase and corresponding payments must reach the Sole Issue Manager, Lead Underwriter and Sole Bookrunner prior to the end of the Offer Period, or such earlier date as may be specified by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner. Acceptance by the Sole Issue Manager, Lead Underwriter and Sole Bookrunner of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by the Company. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase is deemed revoked.

Minimum Purchase

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

Allotment of the Bonds

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted at the discretion of the Sole Issue Manager, Lead Underwriter and Sole Bookrunner, in consultation with the Issuer and without prejudice to the Company's exercise of its right of rejection.

Refunds

If any application is rejected or accepted in part only, the corresponding payment or the appropriate portion thereof shall be returned without interest to such applicant through the Sole Issue Manager, Lead Underwriter and Sole Bookrunner from whom such application to purchase the Bonds was made.

Unclaimed Payments

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk and shall be dealt with in accordance with the relevant provisions of the Registry and Paying Agency Agreement.

Purchase and Cancellation

The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract, in accordance with PDEX Rules, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX Rules.

Secondary Market

The Company intends to list the Bonds in the PDEX. The Company may purchase the Bonds at any time without any obligation to make pro rata purchases of Bonds from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued. The Bonds shall be traded in denominations of ₱10,000.00 in the secondary market.

Registry of Bondholders

The Bonds shall be issued in scripless form and will be eligible for trading under the scripless Registry of Bondholders maintained by the Registrar. Master Certificates of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Registry of Bondholders to be maintained by the designated registrar for the Bonds. The Company will cause the Registry of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Registry of Bondholders. Initial placement of the Bonds and subsequent transfers of interest in the Bonds shall be subject to applicable prevailing Philippine selling restrictions.

INTERESTS OF NAMED EXPERTS

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Corporate Counsels, Philippines Law Office, legal counsel to the Company, and Sycip Salazar Hernandez & Gatmaitan, legal counsel to the Sole Issue Manager, Lead Underwriter and Sole Bookrunner.

Each of the foregoing legal counsel has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsel will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Bond Offer.

INDEPENDENT AUDITORS

The financial statements of the Company as of and for the year ended December 31, 2018 and 2019 and 2020, were audited by Isla Lipana & Co., independent auditors, in accordance with PSA as stated in their reports appearing herein.

The condensed financial statements of the Company as of and for the three months ended March 31, 2020 and 2021 were reviewed in accordance with PSA.

Isla Lipana & Co. has acted as the Company's external auditor since 2011. Mr. Roderick M. Danao was the audit engagement partner-in-charge for the Company's financial statement audit in 2020, 2019 and 2018. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. Isla Lipana & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. Isla Lipana & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The aggregate fees billed for each of the last three (3) fiscal years for professional services that are normally rendered by Isla Lipana & Co (formerly Joaquin Cunanan & Co.) for the audit of the company's Annual Financial Statements, excluding fees directly related to the Offer, are the following:

<i>Year</i>	<i>Audit Fees</i>
2018	₱5,600,000
2019	₱5,670,000
2020	₱4,500,000

There are no other assurance and related services by Isla Lipana & Co. that are related to the performance of the audit or review of the Company's Financial Statements.

In relation to the audit of the Company's annual financial statements, the audit 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 the Company; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

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ISSUER

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SOLE ISSUE MANAGER, LEAD UNDERWRITER AND SOLE BOOKRUNNER

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Makati City 1226**

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Makati City 1227

SB Capital Investment Corporation
18/F Security Bank Centre
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Makati City

LEGAL COUNSEL

To the Issuer

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**To the Sole Issue Manager, Lead Underwriter
and Sole Bookrunner**

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