

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2016**
2. Commission identification number: **44852**
3. BIR Tax Identification No. : **000-421-957-000**
4. Exact name of issuer as specified in its charter: **D&L Industries, Inc.**
5. Province, country or other jurisdiction of incorporation or organization: **Metro Manila**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of issuer's principal office: **65 Industria St., Bagumbayan, Quezon City**
Postal Code: **1110**
8. Issuer's telephone number, including area code: **(02) 635 0680**
9. Former name, former address and former fiscal year: **not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class: **Common Stock, P1 par value**

No. of Shares of Common Stock Issued and Outstanding: **7,142,857,990 Shares***

**Reported by stock transfer agent as of December 31, 2016*

Amount of Debt Outstanding: **4,179,039,800 (as of December 31, 2016)**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange: A total of 7,142,857,990 shares of common stock with par value of P1.00 each.

12. Check whether the issuer:

- (a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []

- (b) Has been subject to such filing requirements for the past one hundred eighty (90) days.

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

The aggregate market value of the 2,223,241,503 voting stock held by non-affiliates (public shares) as of December 31, 2016, computed based on the closing share price of P11.40 on the last trading day on December 29, 2016, is P25,458,953,134.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

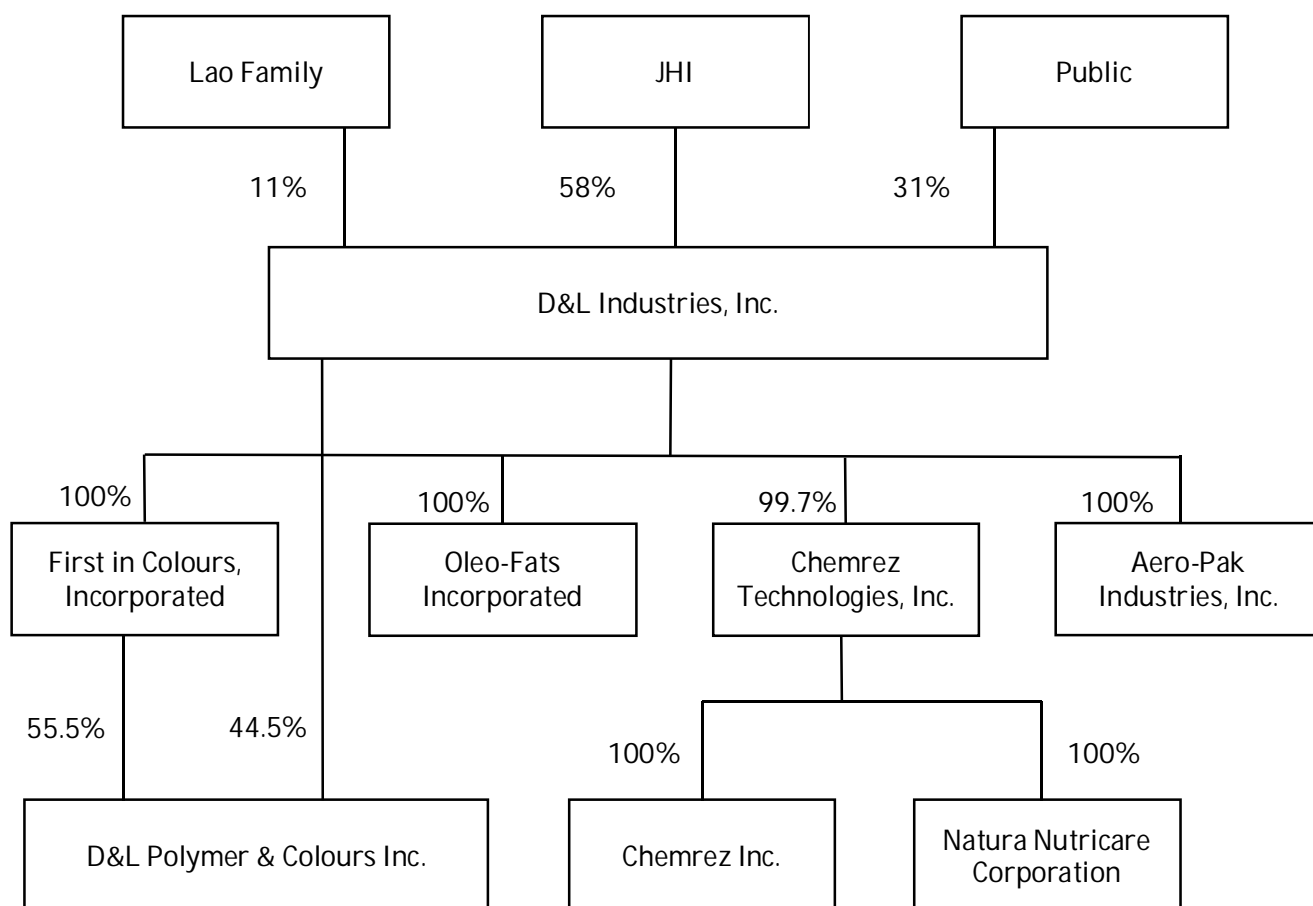
The Company

D&L Industries, Inc. (the "Company" or "D&L") was incorporated on July 27, 1971. The Company is a publicly listed company, which is 69% beneficially owned by the Lao family, the rest by the public. The Company's registered office address and principal place of business is 65 Industria St., Bagumbayan, Quezon City.

The Company is the holding company for a group of companies with interests in the customization, development, and manufacturing of food ingredients (Oleo-Fats, Incorporated), colorants, additives, and engineered polymers for plastics (D&L Polymer and Colours, Inc., and First in Colours, Inc.), aerosol products (Aero-Pack Industries, Inc.), as well as manufacturing of oleochemicals, resins, and powder coating (Chemrez Technologies, Inc., and Natura Nutricare Corporation). It also renders management and other services to subsidiaries and affiliate companies. It was officially listed on the Philippine Stock Exchange (PSE) on December 12, 2012.

On October 7, 2014, the Company, through the conduct of a tender offer, acquired 65% of the outstanding shares of Chemrez Technologies that it did not own. D&L Industries now owns 99.7% of Chemrez Technologies.

The following diagram shows the corporate structure of the Company subsequent to the listing and acquisition of Chemrez Technologies, excluding beneficial ownership of securities held by the Lao family members. As of December 31, 2016, the Company is 58% owned by Jadel Holdings Co., Inc. (JHI) and 11% owned by the Lao Family. The remaining 31% of the shares outstanding are publicly held.



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

Subsidiary / Affiliate	Date of incorporation
Oleo-Fats, Incorporated (OFI)	May 04, 1987
First in Colours, Incorporated (FIC)	November 17, 1988
D&L Polymer and Colours, Inc. (DLPC)	March 30, 2006
Aero-Pack Industries, Inc. (Aero-Pack)	September 29, 1989
Chemrez Technologies, Inc. (Chemrez)	June 01, 1989
Natura Nutricare Corporation	July 20, 2016

Overview of the Business

The Company today is principally a holding company, which derives the majority of its income from subsidiaries engaged in four principal business lines, as set out below:

- *Food ingredients* – The Company, operating through its subsidiary OFI, 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, and also produces food safety solutions such as cleaning and sanitation agents for various customers;

- *Colorants and plastics additives* – The Company, operating through its subsidiaries FIC and DLPC, manufactures a line of pigment blends, color and additive masterbatches and engineered polymers for a wide range of applications, introducing a number of products into the Philippine market and expanding into the export of certain products overseas. The Company's products add properties such as precise coloring, reduced friction, increased resistance to degradation, as well as biodegradability for plastics used in consumer goods, appliances and outdoor furniture;
- *Aerosols* – The Company, operating through its subsidiary Aero-Pack, manufactures three-piece aerosol cans and components and provides aerosol contract filling and compounding services. The Company also toll manufactures a range of related products, including insect control, industrial maintenance chemicals, and home and personal care products, among others.
- *Oleochemicals, resins and powder coatings* – The Company, operating through Chemrez Technologies, and its subsidiary Chemrez, Inc., manufactures CME, also known as coco-biodiesel, using the Philippines' first continuous-process methyl ester plant. The Company also manufactures other oleochemicals or chemicals derived from vegetable oils, resins such as polystyrene, acrylic emulsions and polyester, and a line of powder coatings.

Principal Products, Markets and Revenue Contribution

Food Ingredients

The Company, through OFI, markets and distributes a line of bulk edible oils and specialty food ingredients. The Company believes that it is the leading manufacturer of bulk and specialty fats and oils and other food ingredients in the Philippines. It serves customers across the food and beverage industry, including manufacturers of instant noodles and snack food, dairy and culinary, food service, biscuits and confectionery and bakeries, as well as domestic and international quick-service restaurant chains. The Company also contract manufactures food ingredient products for certain customers. The Company's product line has expanded to over 800 varieties of food ingredients, including specialty fats, dry and liquid mixes, and specialty condiments, driven by its ability to create customized products according to its customers' requirements. As a result, the Company derives more than half of its food ingredients revenue from the manufacture and sale of customized products, which generally provide higher profit margins than bulk items such as refined vegetable oils.

In addition to food ingredients and oils, the Company provides food safety solutions and services such as customized cleaning and sanitation systems, designed and manufactured to meet the needs of customers. All of the Company's food safety solutions are supported by professional and technical services.

Colorants and Plastics Additives

The Company, through its subsidiaries FIC and DLPC, manufactures custom designed and formulated pigment blends, color and additive masterbatches and engineered polymers for a wide range of applications in the plastics industry. FIC focuses on the domestic market, while DLPC focuses primarily on the export market.

The Company believes it has the longest history in the Philippine plastics color and compound industries, and its brand has been trusted by customers for over 50 years for their color concentrate requirements for films, tapes, moldings, wires and cables, high-end fibers and other engineered polymers. The Company at various times has entered into technical assistance agreements with select international partners to increase its expertise in terms of research and development. Also, the Company works with customers to create color products and solutions that best represent the customer's products in the market, with

research showing that a product's color and appearance are key factors in a consumer's buying decision and a critical element in the successful marketing of product. The state-of-the-art technology used by the Company has given end-user customers a broad range of color choices and forms.

The Company also provides additives for plastics processed by customers that enable reduced production costs or add desirable features and properties to plastics. Appropriate filler additives can reduce production costs by substituting polymers with relatively inert and inexpensive materials that make the end product cheaper by weight. Filler additives may also increase the performance of a plastic by modifying its properties, as additives contribute a wide range of properties to plastic products. For example, additives can make plastic products biodegradable and compostable. Additives can also lower the flammability of plastics used in household items, reduce friction between plastic parts, or increase a plastic's resistance to degradation caused by light sources for items such as outdoor furniture.

In addition to providing colorants or additives to customers for their own processing, the Company also provides custom engineered polymers, or engineered polymers, designed to have the precise color and properties required by the customer. Custom compounded products are delivered as plastic pellets to the customer's production plant for conversion into end-use products.

The Company also offers its customers toll compounding services. Toll compounding services enable customers to offer specialty compounds branded with their own label. Customers may take advantage of the Company's extensive engineering and manufacturing experience to handle production and logistics, increasing their effective manufacturing capacity without incurring expansion costs.

Oleochemicals, Resins, and Powder Coatings

Chemrez Technologies (and its subsidiary Chemrez, Inc.) manufactures and markets an extensive line of oleochemicals (such as biodiesel), resins, and powder coatings for both domestic and export markets. Exports comprised approximately 20%, 22% and 22% and 21% of Chemrez's revenues in 2016, 2015 and 2014 respectively. Oleochemicals and other specialty chemical products represented 69% and 31%, respectively, of Chemrez's consolidated revenues for 2016.

As of December 31, 2014, the Company owned approximately 100% of Chemrez, after a successful tender offer for the remaining 65% of Chemrez from the public, as well as individual family members and companies held by the Lao Family. Chemrez Technologies was delisted from the Philippine Stock Exchange on January 10, 2015

Oleochemicals – CME/biodiesel

Biodiesel accounts for bulk of the oleochemical business of the Company. Its IMS-certified, pioneering continuous process methyl ester (CME) facility and coco-biodiesel products are accredited with the Department of Energy and registered with the Board of Investments with pioneer status. Chemrez also serves as a major contributor to the National Biofuels Program under RA 9367, otherwise known as the Biofuels Act of 2006. The Biofuels Act provides for national mandates for increased use of biofuels and, in February 2009, the biodiesel mandate was increased from a 1% (B1) to a 2% (B2) blend. While this required a significant step-up in production commitment to satisfactorily meet higher local demand, there are sufficient indigenous sources of coconut oil (CNO) feedstock in the country.

Presently, the local biodiesel industry is composed of 15 DOE-accredited producers including the Company. The Company believes that its commitment to excellence in quality, delivery, and cost competitiveness would allow it to be a primary domestic supplier of choice by oil companies and institutional buyers. The extensive quality management systems of the Company and its investments in logistics infrastructure and supply chain management were designed to help assure the continuous

bulk supply of compliant biodiesel to local oil companies and generate cost efficiencies that are passed on to its customers.

Other oleochemical products of the Company include glycerin and other methyl ester (CME) derivatives, which are used mainly as surfactants or foaming agents for soaps and detergents, and are sold principally in the export markets. Part of the strategy to grow the CME export markets, the Company continues to develop new applications of CMEs to expand its product and market base. Through the use of pioneering process technology, products that have high export potential have been recently developed.

Other Specialty Chemicals

The Company has a solid record of experience and expertise in the manufacture and marketing of powder coating, resins, and other specialty resin-based chemicals.

- Powder coatings are protective materials applied to metal and other surfaces through an electrostatic coating process to provide resistance against heat, weather and UV light, and certain chemicals. It is used in home appliances, metal furniture, fixtures and fittings, mechanical parts, tools and equipment and also in the construction industry.
- Resins are polymerized or chemically modified substances, which are manufactured in a variety of technical specifications to suit specific industry uses, end-user applications, and customer requirements. It includes polystyrene resins for the plastics industry, polymer emulsions for the paint industry, and polyester resins for the construction, shipping, and furniture industries.
- Other specialty resin-based chemicals comprise of additives, colorants, and solvents.

The Company has maintained its market leadership in powder coatings and resins through competitive pricing, consistent quality, and the ability to offer product customization and provide on-site after-sales technical support to customers. The Company also continues to invest in research and development to develop new powder coating and resin products with improved and innovative features. It competes mainly against importers and traders.

The Company attributes its strong market position to several factors. Its operating scale allows it to manufacture products at highly competitive costs. Beyond price competition, the Company has established long-standing relationships with its customers. These partnerships allow the Company to respond quickly to customer requirements and offer newer and better products out of its extensive efforts and achievements in research and development.

Aerosols

The Company, through Aero-Pack, is the first and only company in the Philippines to design and develop 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 and globally. Aero-Pack also provides customized contract filling and formulation services.

The Company offers products with a wide range of applications, including insect control, industrial maintenance chemicals, home and personal care products. The Company also produces, on a toll manufacturing basis, non-aerosol products such as insecticides, liquid and gel disinfectants, cleaners, polishers and liquid soaps.

Management and administration

D&L maintains significant operational control of OFI, FIC (including DLPC), Chemrez, and Aero-Pack, 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. and LBL Prime Properties, Inc., among others, through a contractual "shared services" model. In particular, D&L Industries provides the following services to its subsidiaries and 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 warehousing, distribution and delivery, 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's research and development department, which the Company believes has been a critical driver for the success of each of its business lines.

D&L maintains its own analytical laboratory that provides technical services and is located in its headquarters in Quezon City, Metro Manila. While D&L continues to provide management services for this facility, specific research, development and application activities are conducted, and expenses are incurred, by OFI, FIC (including DLPC), Chemrez Technologies, and Aero-Pack independently. D&L's 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.

General Operations

- Additional discussion on other business risks are also provided in Note 23 of the 2016 Consolidated Audited Financial Statement of the Company attached herein.
- The Company, in the ordinary course of business, transacts with related parties. These transactions include the purchase/sale of goods and services. Details of the Related Party Transaction are discussed under Notes 1 (General Information) and 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company.
- As of December 31, 2016, the Company and its subsidiaries have a total of 673 employees. The workforce is complemented by 1,152 people from different service providers. None of the employees have collective bargaining agreements with the Company. Also, the Company does not expect any significant change in its existing workforce level in 2017.

Management of Key Risks related to the Company

Risks relating to the Philippines

As of end 2016, 82% 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-2016, cash and cash equivalents were 14% of the Company's total assets.

Risk relating to failure to keep up with technological innovation

The Company derives 61% 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. 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, 85% 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 condition.

The Company does not fix the selling price for most of its contracts with customers. Prices for the contracts are re-set 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 sizeable portion of the business. The top three largest customers, mostly food ingredients customers, accounted for 26% of consolidated revenues in 2016. 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.

Item 2. Properties

Real Properties

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. 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.

To support the Company's centralized distribution and motor pool functions, the Company owns 53 delivery trucks, with a total capacity of 1,394 MT. The Company also operates 6 cargo barges owned by affiliates with an aggregate capacity of approximately 10,400 MT.

The Company's production and warehouse/storage facilities are ISO 9001 (quality), ISO 14001 (environmental), OHSAS 18001 (safety) and CIP/39051/07/03/519 (Stage 2 certification) certified and committed to excellence in quality, delivery, and cost competitiveness to its customers.

In August 2009, the Company's laboratory facility 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.

Intellectual Properties

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 December 31, 2016, the Company and its affiliates had over 271 registered trademarks covering a wider range of products such as resins, colorants, foam concentrates, fats and oils, powder coating and biofuel compounds, among others.

Item 3. Legal Proceedings

As of date of this report, the Company is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Company or on the results of its operations. No litigation or claim of material importance is known to be pending or threatened against the Company or any of its properties.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) 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 prices (in pesos) of the Company's shares in the Philippines Stock Exchange for the year 2016:

	High	Low
Full Year 2016 (January 01 - December 31)	P12.10	P7.02

Source: Daily Quotation Reports of the Philippine Stock Exchange

The market capitalization of the Company's common shares as of end-2016, based on the closing price of P11.40 per share was P81,428,581,086.

The last traded price of the Company's shares as of April 10, 2017 was P12.70.

(2) Total shares outstanding as of December 31, 2016 was 7,142,857,990 with a par value of P1.00. The top 20 shareholders⁽¹⁾ as of the same date are:

Name	No. of shares held	% to total outstanding
1 Jadel Holdings Co., Inc.	3,930,114,072	55.02
2 PCD Nominee Corporation (Non-Filipino)	1,332,121,670	18.65
3 PCD Nominee Corporation (Filipino)	1,128,539,621	15.80
4 Allvee United, Inc.	95,524,564	1.34
5 Smartworks Trading Co., Inc.	91,523,402	1.28
6 Jadana Inc.	80,973,722	1.13
7 CEE Industries, Inc.	80,146,296	1.12
8 Prime Spin Inc.	80,146,296	1.12
9 Yin Yong L. Lao	65,987,202	0.92
10 John L. Lao	65,987,202	0.92
11 Alex L. Lao	65,159,776	0.91
12 Leon L. Lao	60,608,934	0.85
13 Dean L. Lao	54,610,096	0.76
14 Yvonne Keh	1,946,500	0.03
15 Emily Chua	1,649,400	0.02
16 Vincent D. Lao ITF Lorenzo Vince Tan Lao	1,000,000	0.01
17 Alvin D. Lao	1,000,000	0.01
18 Yvette Ann Dim Lao ITF Kyle Zachary Lao Chua- Unsu	1,000,000	0.01
19 Yvette Ann Dim Lao ITF Stella Kathlyn Lao Chua- Unsu	1,000,000	0.01
20 Ivie Mae D. Lao ITF Matthew Sean Lao Sy	501,000	0.01
Total	7,139,539,753	99.95

Note: ⁽¹⁾ Figures are based on the report rendered by the stock transfer agent and exclude shares under the PCD accounts.

Dividends

On October 27, 2015, the Company announced an increase in the dividend policy's payout ratio from 25% to 50% of the previous year's consolidated recurring net income. Under the new dividend policy, at least 50% of its prior year's consolidated recurring net income shall be declared as dividends in favor of the stockholders of record date to be determined by the Board.

The dividends to be received by the stockholders shall be based on the recommendation of the Board after considering factors such as the Company's operating expenses, implementation of business plans, working capital requirements, cash flow position and capital expenditure requirements, as 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.

Declaration date	Payment Date	Dividend rate per share	Amount
June 06, 2016	July 08, 2016	P0.20 per share	P1,428,571,598
June 08, 2015	July 08, 2015	P0.15 per share	P535,714,350
June 02, 2014	June 30, 2014	P0.20 per share	P714,285,799
June 24, 2013	August 19, 2013	P0.15 per share	P535,714,350
August 28, 2012	September 06, 2012	P0.85 per share	P863,434,640

Item 6. Management's Discussion and Analysis of Financial Condition, Changes of Financial Conditions and Result of Operations

As at December 31, 2016 and 2015, the consolidated financial statements include the Company and 100% of its subsidiaries, namely: FIC, DLPC, OFI, Aero-Pack, and Chemrez Technologies, Inc.

As at December 31, 2014, the consolidated financial statements include the Company and 100% of its subsidiaries, namely: FIC, DLPC, OFI, Aero-Pack, and partial consolidation of Chemrez Technologies, Inc.

FY2016 versus FY2015

I. Results of Operations

- Reported net income available to common shareholders increased by 15% to P2.6 billion in 2016 from P2.3 billion in 2015, or earnings per share of P0.37 versus 2015's P0.32.
- Consolidated revenues of P22.2 billion in 2016 were 14% higher than P19.6 billion in 2015. The growth in consolidated revenues was mainly driven by the broad-based increase in sales volume and higher prices of raw materials.
- Gross profit for the year increased by 12% to P4 billion from P3.6 billion in 2015, driven by higher revenues and improved product mix. Gross profit margin was maintained at over 18% while net profit margin was steady at 12%.
- Selling and marketing expenses increased by 16% to P564 million from P486 million in 2015 as delivery charges and employee costs increased by 18% and 13%, respectively.

- Administrative expenses declined by 4% to Php268 million coming off from a high base in 2015 due to the one-time tax and filing costs for the increase in the Company's authorized capital.
- Other income (net), which include foreign exchange gains and losses, interest income, dividend income, rental income, and other miscellaneous income, declined by 27% to P85 million. The Company booked a higher foreign exchange gain in 2016 at P69 million versus just 11 million in 2015. This partially offset the absence of P83 million in one-off gains from the land and building in 2015.
- Finance costs was lower by 42% at P91 million as the Company booked forex gains from borrowing amounting to P22 million this year compared to a P53 million loss last year.
- Income tax expense grew 13% to P581 million from P513 million in 2015 which was just in-line with the overall revenue and profit growth.

II. Segment Operations

- The Food Ingredients group posted a 13% increase in net income to P937 million in 2016 from P826 million in 2015. This was largely driven by a 13% increase in volume backed by strong domestic business and as agreements with foreign principals such as Ventura and Bunge start to bear fruits. Segment gross profit margin compressed by 1.2 ppts to 14% due to higher commodity prices and the 30-45-day lag in price adjustment. However, margins should recover in the succeeding quarters following the price adjustments.
- In line with the expected recovery this year, Specialty Plastics group posted a net income growth of 20% to Php629 million. This was largely attributable to the 8% increase in volume coupled with a 4.4 ppts improvement in overall gross profit margin. Specialty plastics benefited from the continued growth in disposable income, as per capita consumption continues to increase. Moreover, wire harness-related exports posted strong results as port congestion-affected businesses started to recover.
- Oleochemicals group net income increased by 5% to Php858 million in 2015. This was fueled by a 1% increase in sales volume and a +0.7 ppt improvement in overall gross profit margin. Ongoing efforts to strengthen commercial and operational execution improved the performance of the Other Specialty Chemicals segment, which saw a 2% volume growth in 2016 after several years of volume decline. Revenue mix within the group is also becoming more favorable, as it shifts towards higher margin specialty chemicals that cater to faster growing and less volatile end markets.
- The Aero-Pack group posted the highest net income growth for the period, at 44%. This was led by the 24% growth in volume and 4.4 pts improvement in gross profit margin. Within the group, Personal Care is the fastest growing segment, posting a 32% increase in revenues and 42% increase in volume. The Company expects the segment's strong growth momentum to continue as aerosol penetration in the Philippines remains low. Moreover, the segment should benefit from the increasing consumer demand across all categories, due to rising levels of disposable income in the country.

III. Key Financial Performance Indicators

Key Financial Performance Indicators

	2016	2015
Gross Profit margin ^a	18%	18%
Net profit margin ^b	12%	12%
Return on Equity ^c	19%	18%
Current ratio ^d	2.68x	2.94x
Invest cover ^e	29x	28x

Net debt to equity ratio ^f	0.15x	0.08x
Asset-to-Equity ratio ^g	1.45x	1.39x
Book Value per share ^h	P1.96	P1.79

^a Gross Profit/ Revenues

^b Net Income available to common shareholders/ Revenues

^c Net Income available to common shareholders/ Shareholders' Equity

^d Current Assets/ Current Liabilities

^e Earnings before interest and taxes/ Interest Expense

^f (Borrowings – Cash)/ Shareholders' Equity

^g Total Assets/Total Equity

^h Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares

IV. Financial Condition

- The Company's current ratio remained healthy in 2016. It stood at 2.68x, marginally lower than 2.94x in 2015 as higher commodity prices resulted in an increase in accounts payable and other short-term debt.
- Cash level at the end of 2016 stood at P2.8 billion which was lower by P346 million year-on-year mainly attributable to the increase in working capital requirement due to higher commodity prices.
- Cash conversion cycle was kept at 121 days with Accounts Receivable days, Inventory days, and Accounts Payable days maintained at 61, 82, and 22, respectively.
- Prepayments and other current assets increased by 22% to Php2.1 billion in 2016 from Php1.7 billion mainly due to higher input VAT which went up by 38%.
- The Company remained lightly geared in 2016 with net debt to equity ratio manageable at 0.15x. Interest cover stood at 29x. Total borrowings as of end-2016 amounted to P4.9 billion, with only P1 billion in long-term debt.
- Retained earnings increased by 55% in 2016 to P3.3 billion mainly as a result of higher net income for the year. Total dividends paid amounted to Php1.4 billion which translated to a 63% payout ratio based on previous year's net income.
- Total equity increased by 10% to P14 billion on the back of higher retained earnings.
- The Company remained operating cash flow and free cash flow positive in 2016 despite the volatility in foreign exchange and commodity prices.
 - Net cash generated from operating activities stood at P0.9 billion, a significant drop from P3.8 billion generated in 2015. This was mainly accounted for by the increase in working capital requirement amounting to Php2.4 billion given higher commodity prices.
 - Net cash used in investing activities amounted to P0.4 billion which was mainly spent on acquisition of property and equipment. This was a reversal from the P28 million cash generated from investing activities in 2015 when the Company realized a one-time gain from the sale of land owned by subsidiary Chemrez.
 - Net cash used in financing activities amounted to P871 million. The company paid a total of P1.4 billion in dividends while net proceeds from debt availment amounted to P558 million.

FY2015 versus FY2014

I. Results of Operations

- The difference in the business and financial conditions of the Company in 2015 was the result of the full consolidation of Chemrez Technologies, Inc. beginning October 2014. This followed the Company's acquisition of the 65% of Chemrez's outstanding shares. Prior to the transaction, Chemrez was only 34%-owned and was thus considered an associate.
- Reported net income available to common shareholders decreased by 16% to P2.3 billion in 2015 from P2.7 billion in 2014, or earnings per share of P0.32 versus 2014's P0.38. The decline stemmed from the one-time re-measurement gain in 2014 on previously held interest in Chemrez.
- Consolidated revenues of P19.6 billion in 2015 were 21% higher than P16.1 billion in 2014 due to full consolidation of Chemrez in 2015.
- Gross profit for the year increased by 40% to P3.6 billion from P2.6 billion in 2014, driven by higher revenues and improved product mix.
- Selling and marketing expenses increased by 13% to P486 million from P430 million as delivery charges and employee costs increased by 12% and 22%, respectively.
- Administrative expenses were higher by 77% to P280 million from P158 million in 2014. This was mostly from the one-time tax and filing costs incurred in 2015 amounting to P46 million for the increase in the Company's authorized capital stock.
- Other income (net), which included foreign exchange gains and losses, interest income, dividend income, rental income, and other miscellaneous income, grew 231% to P117 million. This was mostly from the one-off gain on sale of Chemrez property in 2015 amounting to P83 million. The Company also booked a foreign exchange gain of P11 million in 2015 versus a P4 million foreign exchange loss in 2014.
- Finance costs were higher by 248% to P158 million from P45 million due to the P53 million in unrealized foreign exchange loss booked in 2015 compared to P96 thousand in 2014.
- Income tax expense grew 36% to P513 million from P377 million in 2014 due to higher taxable income following the full consolidation of Chemrez in 2015.

II. Segment Operations

- For food ingredients, healthy margin expansion in both specialties and commodities drove record-high gross profit margin. This offset the 10% decline in revenues to P10.2 billion as commodity prices continued to weaken in 2015. Specialties outgrowing commodities in volume drove mix improvement and resulted in the 19% increase in net income to P826 million.
- Specialty plastics continued to face port congestion-related supply chain constraints in the first half of 2015. Difficulties in raw material importations and exports resulted in volume losses in our wire harness business. Revenues and net income were down overall by 7% to P2.6 billion and by 4% to P526 million respectively. The rate of decrease in volume and net income however, has decelerated, indicating a gradual rebound as the situation at the port improved.
- Strong volume for oleochemicals was sustained in 2015 driven by increased demand for biodiesel, as well as new export markets for the oleochemical specialties. This offset the underperformance of other specialty chemicals. Overall revenues were 2% higher at P6.4 billion. Margin expansion across the board led to a 30% increase in recurring net income to P768 million.

- Chemrez became fully consolidated starting October 2014 after it became a 99.7%--owned subsidiary.
- Despite lower margin for aerosols after some non-recurring sales in 2014, as well as logistical issues in the fourth quarter of 2015, net income was up 5% year on year at P100 million. Sales were boosted by 15% to P514 million, with volume remaining flat.

III. Key Financial Performance Indicators

	2015	2014
Gross Profit margin ^a	18%	16%
Net profit margin ^b	12%	17%
Return on Equity ^c	18%	25%
Current ratio ^d	2.94x	1.55x
Invest cover ^e	28x	66x
Net debt to equity ratio ^f	0.08x	0.38x
Asset-to-Equity ratio ^g	1.39x	1.66x
Book Value per share ^h	P1.79	P1.54

^a Gross Profit/ Revenues

^b Net Income available to common shareholders/ Revenues

^c Net Income available to common shareholders/ Shareholders' Equity

^d Current Assets/ Current Liabilities

^e Earnings before interest and taxes/ Interest Expense

^f (Borrowings – Cash)/ Shareholders' Equity

^g Total Assets/Total Equity

^h Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares

IV. Financial Condition

- The Company has continued to pay down its borrowings with its higher cash levels, resulting in a current ratio of 2.94x in 2015 versus 1.55x in 2014.
- The Company continues to improve collection efficiency, with average receivable days at 61 days in 2015 compared to 63 days in 2014.
- Decreased working capital requirements from the lower commodity prices, as well as monetization of a tax credit from the biodiesel business benefited the Company cash level, which increased by P1.3 billion to P3.1 billion.
- Owing to lower commodity prices, trade and other receivables fell by 17% from P3.9 billion in 2014 to P3.3 billion in 2015. Likewise, inventories decreased by 5% from P3.8 billion in 2014 to P3.6 billion.
- Prepayments and other current assets increased by 7% in 2015 to P1.7 billion from P1.6 billion in 2014, mainly due to higher levels of prepaid and creditable withholding taxes related to the biodiesel business.
- The Company's debt to equity ratio improved to 33% from 55% in 2014, after the Company paid down some of the debt that financed the acquisition of Chemrez. Borrowings decreased by P1.7 billion, or 31%, to P4.2 billion. The Company currently has P1.0 billion in long-term debt, with the remainder being short-term.

- Retained earnings in 2015 amounted to P2.1 billion, decreasing by 46% from P4.0 billion in 2014 as the Company declared dividends in stock and cash amounting to P3.6 billion and P536 million, respectively, in 2015. Based on the 2014 recurring net income of P2.0 billion, total cash dividend payout ratio was 26%.
- Total equity increased by 16% in 2015, or from P11.0 billion to P12.8 billion, after a 100% stock dividend was declared. The stock dividends were issued out of the P14.0 billion increase in the Company's authorized capital stock.
- During the year, the Company generated significantly higher cash level as working capital requirements decreased, with a portion of the cash going to debt and dividend payments.
 - Net Cash generated from operating activities in 2015 was P3.8 billion compared to P60 million in 2014 as lower commodity prices decreased working capital requirements. Further, tax credits amounting to P749 million were monetized during the year.
 - Net Cash provided by investing activities in 2015 amounted to P28 million. This compares to the P4.8 billion used in 2014, most of which was for the acquisition of Chemrez.
 - Net cash used in financing activities was lower at P2.5 billion compared to P3.1 billion that was provided by in 2014, following higher debt and interest payments.

FY2014 versus FY2013

I. Results of Operations

- The difference in the business and financial conditions of the Company in 2014 was the result of the partial consolidation of Chemrez Technologies, Inc. beginning October 2014. This followed the completion of the acquisition of the 65% of its outstanding shares through a public tender offer. Prior to October 2014, Chemrez was considered an associate.
- Reported net income available to common shareholders increased by 94% to P2.7 billion in 2014 from P1.4 billion in 2013, or earnings per share of P0.38 versus 2013's P0.20. In 2014, the Company booked P960 million gain on re-measurement of previously held equity interest in Chemrez.
- Consolidated revenues of P16.1 billion in 2014 were 50% higher than P10.8 billion in 2013, driven by strong volume growth in food ingredients, as well as partial consolidation of Chemrez Technologies.
- Gross profit for the year increased by 29% to P2.6 billion from P2.0 billion, driven by higher sales.
- Equity share from net income of associate, Chemrez Technologies, Inc., increased by 39% to P147 million in 2014 from P105 million in 2013 due to higher revenues and improved margins. Prior to October 2014, D&L owned 34% of Chemrez Technologies.
- Selling and marketing expenses grew 39% to P430 million from P310 million. This was driven by the 43% increase in delivery charges on higher sales volume.
- Administrative expenses increased 40% to P141 million in 2014 from P101 million the prior year. This was driven by the 56% increase in taxes and licenses costs.
- Other income (net), which included foreign exchange gains and losses, interest income, dividend income, rental income, and other miscellaneous income, declined 32% to P35 million. Lower interest income earned during the period mostly accounted for the decrease.

- Finance costs were lower by 42% to P45 million from P78 million due to P96 thousand in unrealized foreign exchange loss booked in 2014 versus P34 million in unrealized foreign exchange loss booked in 2013.
- Income tax expense grew 40% to P377 million from P270 million, reflecting the higher taxable income during the period.

II. Segment Operations

- Good volume growth across all categories, coupled by relatively higher commodity prices year-on-year, drove a 45% increase in revenues of food ingredients business to P11.3 billion in 2014. Though commodities outpaced growth in specialties, and compressed overall margins, net income was higher by 22% to P695 million during the year.
- Group sales of the plastics business were higher by 13% at P2.8 billion in 2014 on the back of double-digit increase in volume. Challenges posed by the port congestion affected margins, particularly in the latter part of 2014. Overall, the plastics group net income was 2% higher at P549 million.
- Volume growth of aerosols was positive during the year. Margins likewise were better on improvements in personal care and maintenance chemicals and other segments. As a result, aerosols grew revenues by 3% to P446 million. Net income increased 8% in 2014 to P95 million.
- Equity share from net income of associate, Chemrez Technologies, Inc., increased by 39% to P147 million in 2014 as its net income increased 92% year-on-year to P591 million. Sales of P6.3 billion were 45% higher year-on-year, largely driven by higher sales volume and improving margins in the oleochemicals segment.
- Chemrez Technologies ceased to be an associate and became a 100%--owned subsidiary beginning October 2014.

III. Key Financial Performance Indicators

	2014	2013
Gross Profit margin ^a	16%	19%
Net profit margin ^b	17%	13%
Return on Equity ^c	25%	16%
Current ratio ^d	1.55x	3.20x
Invest cover ^e	66x	39x
Net debt to equity ratio ^f	0.38x	-0.20x
Asset-to-Equity ratio ^g	1.66x	1.29x
Book Value per share ^h	P1.54	P1.24

^a Gross Profit/ Revenues

^b Net Income available to common shareholders/ Revenues

^c Net Income available to common shareholders/ Shareholders' Equity

^d Current Assets/ Current Liabilities

^e Earnings before interest and taxes/ Interest Expense

^f (Borrowings – Cash)/ Shareholders' Equity

^g Total Assets/Total Equity

^h Shareholders' Equity (available to owners of the Parent) / weighted average outstanding number of common shares

IV. Financial Condition

- Lower cash level and higher borrowings, following the acquisition of Chemrez Technologies, resulted in current ratio of 1.55x in 2014 versus 3.20x in 2013.
- A portion of the Chemrez acquisition was funded by cash and resulted in a P1.6 billion decrease in the Company's cash level from P3.4 billion in 2013 to P1.8 billion in 2014.
- Trade and other receivables increased by 100% from P2 billion in 2013 to P3.9 billion in 2014 as sales across segments increased.
- Inventories increased by 77% from P2.1 billion in 2013 to P3.8 billion in 2014 primarily due to higher levels of raw materials and finished goods.
- Prepayments and other current assets increased by 267% from P432 million to P1.6 billion in 2014. These are mostly in form of creditable withholding taxes and input value added tax (VAT). The increase was largely a result of the partial consolidation of Chemrez in 2014.
- Debt (borrowings) to equity ratio of 55% was up from 19% in 2013 as the Company took on debt to finance the acquisition of Chemrez. Borrowings increased by P4.4 billion to P6.0 billion at end 2014. All of the Company's borrowings are short-term.
- Retained earnings increased by 92% to P4.1 billion due to P2.7 billion net income earned in 2014.
- The Company paid P714 million in cash dividends during the year. This was equivalent to P0.20 dividend per share, composed of P0.10 in regular dividend and P0.10 in special dividend. Based on 2013 recurring net income of P1.4 billion, total payout ratio was 51%.
- Total equity increased by 24% to P11.0 billion from P8.9 billion, reflecting higher net income earned during the year partially offset by dividends paid.
- During the year, the Company's cash generally went to the payment for the acquisition of Chemrez, as well as working capital requirements.
 - Net Cash generated from operating activities in 2014 was P60 million on higher working capital requirements. This compares to P264 million generated in 2013.
 - Net cash used in investing activities in 2014 mounted to P4.8 billion, mostly to fund the acquisition of Chemrez Technologies.
 - Net cash provided by financing activities amounted to P3.1 billion, with P7.5 billion proceeds from borrowings offset by payments of borrowings and dividends totaling P4.4 billion.

D&L's Plan of Operation for 2017

For 2017, resilient Philippine economy and robust consumer spending should continue to support growth across all the Company's business segment. The Company will continue to focus on margin expansion and volume growth going forward in order to sustain profitability and earnings growth. Moreover, the Company will continue to invest in research and innovation initiatives that will further strengthen its reputation as a market leader in customized specialty products.

High margin specialties are expected to comprise a bigger portion of overall sales, allowing the Company to lessen its revenue dependence on volatile commodity prices. Moreover, exports should continue to grow as partnership with foreign principals such as Ventura and Bunge start to bear fruit.

Item 7. Financial Statements

The Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this SEC Form-17A.

Item 8. Information on Independent Public Accountant and Other Related Matters**1. Independent Public Accountant****(a) Audit and Audit-Related Fees**

The Company's independent public accountant is the accounting firm of Isla Lipana & Co. The Company's Audit Committee recommended for approval of the Board the appointment of external auditor for the ensuing year. The stockholders then approved and ratified the appointment of external auditor at the annual stockholder's meeting held on June 6, 2016. Isla Lipana has not expressed any intention to resign as the Company's principal auditor nor has it indicated any hesitance to accept re-election after the completion of their last audit.

Pursuant to the General Requirements of the SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Company has engaged Isla Lipana & Co. as external auditor. Ms. Gina S. Detera was the audit engagement partner-in-charge for the Company's financial statement audit in 2016. Ms. Imelda Dela Vega-Mangundaya was the audit engagement partner-in-charge for the Company's financial statement audit from 2010 to 2015.

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 are the following:

Year	Audit Fees
2014	P5,959,740
2015	P5,410,650
2016	P5,644,100

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.

(b) Tax Fees

Tax consultancy services are secured from entities other than the appointed external auditor.

(c) All Other Fees

There are no aggregate fees billed in each of the last three (3) fiscal years for products and services provided by Isla Lipana & Co., other than the services reported under items (a) & (b) above.

(d) Audit Committee's Approval Policies and Procedures

The Audit Committee is comprised of the following members: Atty. Mercedita S. Nollado, as Chairman (Independent Director), Mr. Filemon T. Berba Jr. (Independent Director) and Mr. Yin Yong L. Lao.

The Audit Committee meets on a regular basis to:

- a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;
- e) Prior to the commencement of the external audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Establish an internal audit function, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors;
- i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
 - Any change/s in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements
- j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report; and

- l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Changes in Accounting Policies

Refer to Note 24 – Summary of Significant Accounting Policies under Changes in Accounting Policies and Disclosures discussion on the Consolidated Financial Statement as of the year ended December 31, 2016 included in this report.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Articles of Incorporation provide for the election of seven (7) directors to the Board to serve for a term of one year. The Board is responsible for the overall management and direction of the Company. It meets on a regular basis to review and monitor the Company's financial position and operations.

The following sets forth certain information as to the Directors and executive officers of the Company and key officers of the Company's wholly-owned subsidiaries:

Name	Age	Nationality	Position
Dean L. Lao	78	Filipino	Chairman Emeritus
Leon L. Lao	74	Filipino	Chairman
Yin Yong L. Lao	64	Filipino	Director and Vice-Chairman
Alex L. Lao	71	Filipino	Director
John L. Lao	62	Filipino	Director
Alvin D. Lao	45	Filipino	Director, President and Chief Executive Officer
Mercedita S. Nollo	76	Filipino	Independent Director
Filemon T. Berba, Jr.	78	Filipino	Independent Director
Amorsolo M. Rosario	56	Filipino	CFO, Treasurer, Compliance Officer
Dean A. Lao, Jr.	49	Filipino	Managing Director, Chemrez Technologies
Lester A. Lao	48	Filipino	Managing Director, FIC and DLPC
Vincent D. Lao	43	Filipino	Managing Director, Oleo-Fats, Inc.
Kristine Ann C. Catindig-Ong	35	Filipino	Corporate Secretary
Ainslee Anne T. Lao	26	Filipino	Assistant Corporate Secretary

The business experience for the past five years of each of the directors and executive officers is set forth below.

Dean L. Lao is the Chairman Emeritus of the Company, having previously served as Chairman and President of the Company since 1971. He was the founder of the various companies belonging to the

Lao Family which include FIC Marketing Co., Inc. (1986), Oleo---Fats, Inc. (1988), Corro-Coat, Inc (1990), Aero-Pack Industries, Inc. (1990), First in Colors, Inc. (1991), and Chemrez, Inc. (1991). He currently serves as Director of the following companies: Aero-Pack Industries, Inc., Chemrez, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Incorporated, FIC Marketing Co., Inc., FIC Tankers Corporation, LBL Prime Properties, Inc., Ecozone Properties, Inc., First Batangas Industrial Park, Inc. and Jadel Holdings Co., Inc. Mr. Lao obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Leon L. Lao is the Chairman of the Company, having been a Director since 1971. He has been the President and Chief Executive Officer since 2006. He is a co-founder of D&L Industries, Inc. where he currently serves as Director. He is also President of First in Colors, Inc. and D&L Polymer and Colours, Incorporated, and Director of Aero-Pack Industries, Inc., Chemrez, Inc., First in Colours, Incorporated, FIC Marketing Co., Inc., Oleo-Fats Incorporated, Malay Resources, Incorporated, LBL Prime Properties, Inc., Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Color-Chem Corp. and Jadel Holdings Co., Inc. Mr. Lao obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Alex L. Lao has been a Director of the Company since 1971. 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, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Incorporated, FIC Marketing Co., Inc., LBL Prime Properties, Inc., First Batangas Industrial Park, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., and Jadel Holdings Co., Inc. Mr. Lao obtained his B.S. in Chemical Engineering from the Polytechnic Colleges of the Philippines.

Yin Yong L. Lao is the Vice 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, Inc. Mr. Lao 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, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Incorporated, FIC Marketing Co., Inc., Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., 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 served as President of the Company until August 2016. He remains to be a Director of the Company. He is likewise the President of Aero-Pack Industries, Inc. He has also been the Executive Vice President of Chemrez Technologies Inc. since 2006. He is currently the Executive Vice President of Color-Chem Corporation. His other directorships include North Mactan Industrial Corporation, Aero-Pack Industries, Inc., Chemrez, Inc., First in Colours, Incorporated, D&L Polymer and Colours, Incorporated, D&L Powder Coating, Inc., Oleo-Fats Incorporated, Malay Resources, Incorporated, FIC Marketing Co., Inc., LBL Prime Properties, Inc., Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., Hotel Acropolis, Inc., First Batangas Industrial Park, Inc. and Jadel Holdings Co., Inc. Mr. Lao 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 Bank of the Philippine Islands, BPI Capital Corporation, BPI Family Savings Bank, BPI Foundation, Inc., BPI Investment Management, Inc., Asset Management and Trust Corporation, 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 (L.I.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 President 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.

Alvin D. Lao became a Director and President and Chief Executive Officer of the Company in August 2016. He also serves as an Independent Director of Xurpas and 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) and the Wallace Business Forum. He was recently appointed as 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, Inc. His other directorships include: Enderun Colleges, Gurango Software Corporation, First in Colours, Incorporated, D&L Polymer and Colours, Incorporated, FIC Tankers Corporation, Ecozone Properties, Inc., Anonas LRT Property and Dev't Corp., 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.

Amorsolo M. Rosario was appointed as the Chief Financial Officer, Treasurer and Chief Compliance Officer of the Company in August 2016. He has been with D&L group since 2010, initially as Chief Financial Officer of Oleo-Fats, Inc. before moving to the parent company as Finance and Accounting Consultant in 2012. Prior to joining D&L, he was Senior Vice President of Finance at Nestle Philippines. He held a number of Controllershship, Finance, Management Information System, and Internal Audit roles of increasing responsibility in the Philippines, Australia, the UK and Switzerland for 27 years. Mr. Rosario holds a Bachelor of Science in Business Administration and Accountancy from the University of the Philippines and an MBA from the Pamantasan ng Lungsod ng Maynila. He also completed the Program for Executive Development of the International Institute for Management Development in Switzerland and is an SBEP alumnus of the University of Asia & the Pacific. He placed 5th in the Certified Public Accountant Exams in 1982.

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 and 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 and Colours, Inc., D&L Powder Coating, 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 was previously Assistant Trader at Shuwa Co. Ltd. in Japan from 1994 to 1995. He also serves as Director of D&L Polymer and 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 Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer and Colours, Inc., First in Colours, Incorporated, Aero-Pack Industries, Inc., and Chemrez Technologies, Inc.. She is lawyer with a juris doctor degree from the Ateneo School of Law and a member of the Integrated Bar of the Philippines.

Ainslee T. Lao is the Assistant Corporate Secretary of the Company. She is likewise the Assistant Corporate Secretary of the following subsidiaries: Oleo-Fats, Incorporated, D&L Polymer and Colours, Inc., First in Colours, Incorporated, Aero-Pack Industries, Inc., and Chemrez Technologies, Inc. She holds a Bachelor of Arts degree in History and a Master's degree in International Business from the University of London.

Involvement in Certain Legal Proceedings

No Director, executive officer, or senior officer of the Company during the past five (5) years that has been subject to:

- (a) Any bankruptcy petition files 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 two years prior to that time;
- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, and commodities or banking activities.

Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Board Meetings and Attendance

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman Emeritus	Dean L. Lao	6/8/2015	6	6	100
		6/6/2016			
Chairman	Leon L. Lao	6/8/2015	6	5	83
		6/6/2016			
Member	Alex L. Lao	6/8/2015	6	6	100
		6/6/2016			
Member	Yin Yong L. Lao	6/8/2015	6	6	100
		6/6/2016			
Member	John L. Lao	6/8/2015	6	6	100
		6/6/2016			
Member	Alvin D. Lao	8/1/2016	2	2	100
Independent	Filemon T. Berba, Jr.	6/8/2015	6	6	100
		6/6/2016			
Independent	Mercedita S. Nolloedo	4/4/2016	4	4	100
		6/6/2016			

Item 10. Executive Compensation

The total annual compensation received by Executive Officers and key senior personnel of the Company and its wholly-owned subsidiaries and affiliate in 2014, 2015, and 2016 amounted to P79,764,505, P91,636,597 and P103,513,169, respectively. The projected total annual compensation for the current year 2017 is P109,723,959. The table below shows the most highly compensated key officers and senior personnel of the Company.

Name	Position	Year	Salary	Bonus	Other Compensation
John L. Lao	President and CEO (until July 2016)	2016		-	-
Alvin D. Lao	Chief Finance Officer, Treasurer and Chief Compliance Officer (until July 2016), President and CEO (starting August 2016)	2016		-	-
Dean A. Lao, Jr.	Managing Director - Chemrez	2016		-	-
Lester A. Lao	Managing Director - DLPC/FIC	2016		-	-
Vincent D. Lao	Managing Director - Oleo Fats	2016		-	-
Other Senior Mangers		2016		-	-
Total			P 103,513,169	-	-

The following allowances for reimbursable expenses are given to Directors for each meeting attended:

- P60,000 for the Chairman of the Board
- P50,000 for each Board member
- P35,000 for the chairman of the Board Committee
- P25,000 for each member of the Board Committee

Aside from the aforementioned allowances, no other compensation is paid to Directors of the Company. Further, the Company does not have any stock option or management incentive plan as part of its current compensation for Directors and officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2016, the beneficial owners of more than five (5) percent of any class of the Company's voting securities are as follows:

<i>Title of Class</i>	<i>Name, address of record owner and relationship with issuer</i>	<i>Name of Beneficial Owner & Relationship w/ Record Owner</i>	<i>Citizenship</i>	<i>No. of Shares Held</i>	<i>Percent⁽¹⁾</i>
Common	JADEL Holdings, Inc. ⁽²⁾ 65 Industria St., 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	577,733,638	8.09%
Common	PCD Nominee Corp (Non-Filipino) G/F Makati Stock Exchange, Ayala Avenue, Makati City	Deutsche Bank Manila - Clients' Account	Foreign	481,930,623	6.75%

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

The following table shows the security ownership of the Company's senior management as of December 31, 2016:

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership ⁽¹⁾	Citizenship	% to Total Outstanding
Common	Dean L. Lao	Chairman Emeritus	54,610,096 (D) 403,773 (I)	Filipino	0.76% 0.01%
Common	Leon L. Lao	Chairman	60,708,934 (D) 38,209,830 (I)	Filipino	0.85% 0.53%
Common	Alex L. Lao	Director	65,159,776 (D) 52,808,953 (I)	Filipino	0.91% 0.74%

Common	Yin Yong L. Lao	Director and Vice-Chairman	65,987,202 73,044,729	(D) (I)	Filipino	0.92% 1.02%
Common	John L. Lao	Director	68,837,202 49,453,168	(D) (I)	Filipino	0.96% 0.69%
Common	Filemon T. Berba	Independent Director	200,002	(D)	Filipino	0.00%
Common	Mercedita S. Nollado	Independent Director	200,000	(D)	Filipino	0.00%
Common	Alvin D. Lao	President & Chief Executive Officer	7,753,000 19,673,498	(D) (I)	Filipino	0.11% 0.28%
Common	Dean A. Lao, Jr.	Managing Director, Chemrez Technologies	430,000 2,503,769	(D) (I)	Filipino	0.01% 0.04%
Common	Lester A. Lao	Managing Director, FIC and DLPC	200,000 100,034,428	(D) (I)	Filipino	0.00% 1.40%
Common	Vincent D. Lao	Managing Director, Oleo-Fats, Inc.	1,760,000 14,530,569	(D) (I)	Filipino	0.02% 0.20%
Common	Ainslee Anne Lao	Assistant Corporate Secretary	546,000	(D)	Filipino	0.01%
Common	Amorsolo Rosario	Chief Financial Officer, Treasurer, & Chief Compliance Officer	-	-	Filipino	0.00%
Common	Kristine Catindig-Ong	Corporate Secretary	125,000	(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.	4,130,629,976	57.83%
Allvee United, Inc.	28,657,369	0.40%
CEE Industries, Inc.	6,594,315	0.09%
Hansevian, Inc.	700,000	0.01%
Jadana, Inc.	21,123,580	0.30%
Prime Spin, Inc.	35,691,318	0.50%
SmartWorks Trading Co., Inc.	-	0.00%

Item 12. Certain Relationships and Related Transactions

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 sons of Mr. Dean L. Lao. Mr. Alvin D. Lao and Mr. Vincent D. Lao are sons of Mr. Leon L. Lao. Ms. Ainslee Anne T. Lao is the daughter of Mr. Alex L. Lao.

All other directors and officers are not related either by consanguinity or affinity.

Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 18 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the

Company. There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company.

PART IV – CORPORATE GOVERNANCE

Item 13. Compliance with Leading Practice on Corporate Governance

Please refer to attached Annual Corporate Governance Report ("ACGR"), which is marked as Exhibit I of this Annual Report.

Whistle Blowing Policy

The Company expects its employees to bring to its attention, or to that of senior management, any breach or suspected breach of these principles. Provisions have been made to assure its employees that their reports shall be held in confidence and that they will not suffer as a consequence of doing so.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Exhibit 1 – Annual Corporate Governance Report

(b) Reports on SEC Form 17-C

D&L INDUSTRIES, INC. LIST OF CORPORATE DISCLOSURES/REPLIES TO SEC LETTERS UNDER SECTION FORM 17-C JANUARY 1, 2016 TO DECEMBER 31, 2016

Date	Description of disclosure
05-Jan-16	Certification on the Attendance of the Board of Directors for 2015
07-Jan-16	List of Top 100 Stockholders
12-Jan-16	Public Ownership Report
12-Jan-16	Statement of Changes in Beneficial Ownership of Securities
12-Jan-16	Statement of Changes in Beneficial Ownership of Securities
13-Jan-16	Statement of Changes in Beneficial Ownership of Securities
19-Jan-16	Statement of Changes in Beneficial Ownership of Securities
19-Jan-16	Statement of Changes in Beneficial Ownership of Securities
22-Jan-16	Statement of Changes in Beneficial Ownership of Securities
22-Jan-16	Statement of Changes in Beneficial Ownership of Securities
29-Jan-16	Statement of Changes in Beneficial Ownership of Securities
29-Jan-16	Statement of Changes in Beneficial Ownership of Securities

24-Feb-16	Notice of Analysts'/Investors' Briefing
01-Mar-16	Notice of Annual or Special Stockholders' Meeting
01-Mar-16	Press Release
02-Mar-16	Setting of Annual Stockholders' Meeting
28-Mar-16	Compliance Report on Corporate Governance
05-Apr-16	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
05-Apr-16	Press Release
07-Apr-16	Appointment of Independent Director
06-Apr-16	Initial Statement of Beneficial Ownership of Securities
07-Apr-16	List of Top 100 Stockholders
13-Apr-16	Annual Report
15-Apr-16	Public Ownership Report
27-Apr-16	Request for distribution of Annual report in CD format
28-Apr-16	Notice of Analysts'/Investors' Briefing
28-Apr-16	Information Statement
03-May-16	Press Release
03-May-16	Amendments to By-Laws
04-May-16	Clarification of News Reports
05-May-16	Quarterly Report
12-May-16	Information Statement
06-Jun-16	Declaration of Cash Dividends
06-Jun-16	Press Release
06-Jun-16	Results of Annual or Special Stockholders' Meeting
06-Jun-16	Results of Organizational Meeting of Board of Directors
09-Jun-16	Guidelines for Cash Dividends Distribution
17-Jun-16	Stockholders' List as of Record Date of May 12, 2016
27-Jun-16	Statement of Changes in Beneficial Ownership of Securities
05-Jul-16	Statement of Changes in Beneficial Ownership of Securities
07-Jul-16	List of Top 100 Stockholders
13-Jul-16	Public Ownership Report
28-Jul-16	Notice of Analysts'/Investors' Briefing
02-Aug-16	Press Release
02-Aug-16	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
03-Aug-16	Clarification of News Reports
03-Aug-16	Initial Statement of Beneficial Ownership of Securities
03-Aug-16	Initial Statement of Beneficial Ownership of Securities
04-Aug-16	Quarterly Report
05-Sep-16	Change in Shareholdings of Directors and Principal Officers
30-Sep-16	Press Release
06-Oct-16	List of Top 100 Stockholders

11-Oct-16	Public Ownership Report
03-Nov-16	Notice of Analysts'/Investors' Briefing
08-Nov-16	Press Release
09-Nov-16	Quarterly Report
15-Nov-16	Corporate Governance Certificates of Attendance of Directors and Officers
01-Dec-16	Clarification of News Reports
01-Dec-16	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
28-Dec-16	Statement of Changes in Beneficial Ownership of Securities
28-Dec-16	Statement of Changes in Beneficial Ownership of Securities

D&L INDUSTRIES, INC.

INDEX TO FINANCIAL STATEMENTS
Form 17-A, Item 7

Consolidated Financial Statements

Statement of Management's Responsibility for Financial Statements

Independent Auditor's Report

Consolidated Balance Sheets as of December 31, 2016 and 2015

Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014


Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statement

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed in behalf of the issuer by the undersigned thereunto duly authorized, in the city of **QUEZON** on April ____, 2017.

By:


Alvin D. Lao
President/CEO


Donnabelle Wong
Group Controller


Amorsolo M. Rosario
Chief Finance Officer



Kristine Ann Catindig-Ong
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2017 day of April 2017 affiant (s) exhibiting to me his/their Driver's License, as follows:

NAMES	VALID ID	EXPIRE ON
Alvin D. Lao	EC2844011	November 2019
Amorsolo M. Rosario	EC4847509	August 2020
Kristine Ann Catindig-Ong	D12-99-049415	May 2019
Donnabelle Wong	EC3528705	February 2020

NOTARY PUBLIC

Doc. No. 276 :
Page No. 57 :
Book No. X :
Series of 2017


RICHARD LEO M. BALDUEZA
NOTARY PUBLIC FOR QUEZON CITY
LP LIFETIME # 7203 (1-17-08) ROLL NO. 53953
MCLE COMPLIANCE NO. V-0013807/2-9-16
TR. NO. 7799979/1- 5-17/PLARIDEL.BULACAN

D&L Industries, Inc. and Subsidiaries

Consolidated Financial Statements

As at December 31, 2016 and 2015

and for each of the three years in the period ended December 31, 201

FIRST SECTION

Audited Consolidated Financial Statements with
Supplemental Schedules for the
Securities and Exchange Commission
December 31, 2016

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First Section

Statement of management responsibility
Report of independent auditors
Consolidated statements of financial position
Consolidated statements of total comprehensive income
Consolidated statements of changes in equity
Consolidated statements of cash flows
Notes to the consolidated financial statements



April 3, 2017

Securities and Exchange Commission
SEC Building, EDSA corner
Ortigas Avenue, Mandaluyong City

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

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

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

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

The Board of Directors reviews and approved the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Isla Lipana & Co, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


Leon L. Lao
Chairman of the Board


Alvin D. Lao
President & CEO


Amorsolo M. Rosario
Chief Finance Officer

D&L INDUSTRIES, INC.


65 Calle Industria, Bagumbayan, Quezon City, 1110 Philippines

 (632) 635•0680  (632) 635•0703  info@dnl.com.ph  www.dnl.com.ph

SUBSCRIBED AND SWORN to before me this APR 03 2017 at QUEZON CITY,
affiants exhibiting to me their Passports Nos:

		Valid ID	Expiration/Placeof Issuance
LEON L. LAO	PP	EC3500873	Feb 2020/NCR Central
ALVIN D. LAO	PP	EC2844011	Nov 2019/NCR Northeast
AMORSOLO M. ROSARIO	PP	EC4847509	Aug 2020/NCR East

Doc. No. 3 :
Page No. 2 :
Book No. XII :
Series of 2017


ATTY. KRISTINE ANN C. CATINDIG
NOTARY PUBLIC for QUEZON CITY
Notarial Commission No. NP-009, Until Dec. 31, 2018
No. 65 Industria St., Bagumbayan, QC
PTR No. 3814156, 1-4-17 QC / IBP No. 1058763, 1-3-17 QC
TIN NO. 210-016-964 / ROLL NO. 52735
MCLE No. V-0016019, 3-15-16



Independent Auditor's Report

To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
65 Industria Street
Bagumbayan, Quezon City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of D&L Industries, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2016 and 2015, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2016 and 2015;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2016;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2016;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2016; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.



Independent Auditor's Report
To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
Page 2

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matters identified in our audit are summarized as follows:

- Revenue recognition
- Impairment of goodwill

Key Audit Matters	How our audit addressed the Key Audit Matter
<p>Revenue recognition</p> <p>Refer to note 13 to the consolidated financial statements.</p> <p>For the year ended December 31, 2016, the Group reported sale of goods amounting to P22.2 billion. This is an area of focus because of the high volume of sales of goods. Revenue is recognized by the Group based on the accounting policy described in Note 24.20. There can be differences between the timing of the invoicing and actual delivery of goods towards end of the year and therefore potential errors over revenue recognition can occur.</p>	<p>We addressed the matter by testing of design and operating effectiveness of the business process to gain comfort over the revenue and receivable process of the respective subsidiaries.</p> <p>We performed testing of sales transactions before December 31 and extended our testing period after end of the year to ensure that sales transactions were recognized in the correct period by examining sales invoices and reconciling them to delivery receipts which indicate customer acceptance.</p> <p>No exceptions were noted from our testing.</p>



Key Audit Matters	How our audit addressed the Key Audit Matter
<p>Impairment of goodwill</p> <p>Refer to note 1.2.1 to the consolidated financial statements</p> <p>As at December 31, 2016, the Group reported goodwill amounting to P3 billion in the consolidated statement of financial position. An annual impairment review is performed based on the requirements of PAS 36, Impairment of Assets. Goodwill impairment tests was performed by management related to the oleochemicals, resins and powder coating segment which was assessed to be the lowest level of cash-generating unit (or CGU).</p> <p>Management's impairment tests over goodwill were significant to our audit because the assessment process is complex, and requires significant management estimates and judgement. The most significant judgements relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the weighted average cost of capital (WACC) and revenue growth rates.</p>	<p>We addressed the matter by evaluating management's impairment testing which includes cash flow forecasts approved by the Board of Directors. We performed an assessment of the historical accuracy of management's estimates through retrospective review.</p> <p>We also tested the assumptions and methodologies used, in particular those relating to CGU determination, discount rate and growth rates:</p> <ul style="list-style-type: none">• We reviewed management's basis for identifying the CGU where goodwill is grouped.• Our valuation experts assessed the reasonableness of the assumptions used in the review of the WACC with reference to comparable companies.• We compared the key assumptions to externally derived data where possible. <p>We concluded that the growth rate assumptions were reasonable given historic results and economic outlook.</p> <p>In testing the valuation model:</p> <ul style="list-style-type: none">• We checked the calculations of the valuation model for mathematical accuracy with no exceptions noted.• We checked the calculations of the carrying amount of the CGU are consistent with the requirements of PAS 36.• We considered the sensitivity of the calculation by varying the assumptions and applying other values within a reasonably possible range, particularly for WACC and forecast revenue growth rate. <p>Based on sensitivity analysis performed by management, no reasonable change in the assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.</p>



Independent Auditor's Report
To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
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Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
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As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Isla Lipana & Co.

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

The engagement partner on the audit resulting in this independent auditor's report is Gina S. Detera.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "G. Detera", is written over the printed name and title.

Gina S. Detera
Partner

CPA Cert. No. 80047

PTR No. 0011361, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 0411-AR-3, Category A; effective until January 6, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

TIN 112-072-291

BIR A.N. 08-000745-43-2015, issued on December 8, 2015; effective until December 7, 2018

BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to

Board Resolution No. 37 series of 2017

Makati City
March 3, 2017



Isla Lipana & Co.

Statement Required by Rule 68, Part 1, Section 3B(v)
Securities Regulation Code (SRC)
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
65 Industria Street
Bagumbayan, Quezon City

We have audited the financial statements of D&L Industries, Inc. and its subsidiaries (the "Group") as at and for the year ended December 31, 2016, on which we have rendered the attached report dated March 3, 2017.

In compliance with SRC Rule 68 and based on the certification received from the Group's corporate secretary and the results of our work done, the said Group has sixty six (66) shareholders owning one hundred (100) or more shares each as at December 31, 2016.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "Gina S. Detera", is written over the printed name.

Gina S. Detera

Partner

CPA Cert. No. 80047

PTR No. 0011361, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 0411-AR-3, Category A; effective until January 6, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

TIN 112-072-291

BIR A.N. 08-000745-43-2015, issued on December 8, 2015; effective until December 7, 2018

BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to

Board Resolution No. 37 series of 2017

Makati City
March 3, 2017



Isla Lipana & Co.

Statement Required by Rule 68, Part I, Section 4,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Shareholders of
D&L Industries, Inc. and Subsidiaries
No. 65 Calle Industria,
Bagumbayan, Quezon City, Metro Manila

We have audited the consolidated financial statements of D&L Industries and its subsidiaries as at and for the year ended December 31, 2016, on which we have rendered the attached report dated March 3, 2017. The supplementary information shown in the Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration, a Map Showing the Relationships between and among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates and Schedule of Philippine Financial Reporting Standards effective as at December 31, 2016, as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F, G, H and I, as required by Part II, Section 68 of the Securities Regulation Code is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in the audit of the consolidated basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Gina S. Detera

Partner

CPA Cert. No. 80047

PTR No. 0011361, issued on January 6, 2017, Makati City

SEC A.N. (individual) as general auditors 0411-AR-3, Category A; effective until January 6, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

TIN 112-072-291

BIR A.N. 08-000745-43-2015, issued on December 8, 2015; effective until December 7, 2018

BOA/PRC Reg. No. 0142, with extended validity until April 30, 2017 pursuant to

Board Resolution No. 37 series of 2017

Makati City
March 3, 2017

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Financial Position
December 31, 2016 and 2015
(All amounts in Philippine Peso)

	Notes	2016	2015
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	3	2,780,033,609	3,126,096,790
Receivables, net	4	4,614,242,942	3,272,923,872
Inventories, net	5	4,641,381,559	3,597,804,219
Due from related parties	18	77,379,970	111,302,934
Prepayments and other current assets	6	2,061,448,859	1,695,831,829
Total current assets		14,174,486,939	11,803,959,644
Non-current assets			
Available-for-sale financial assets	7	112,130,825	114,612,804
Property, plant and equipment, net	9	2,396,977,977	2,366,673,952
Retirement benefit asset	19	111,465,738	93,952,476
Goodwill	1.2.1	3,367,846,840	3,367,846,840
Other non-current assets	6,18.2	113,675,117	23,267,864
Total non-current assets		6,102,096,497	5,966,353,936
Total assets		20,276,583,436	17,770,313,580
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	10	1,366,499,443	796,185,171
Due to related parties	18	18,949,786	2,351,165
Short-term borrowings	11	3,850,481,200	3,179,039,800
Income tax payable		53,502,485	41,533,003
Total current liabilities		5,289,432,914	4,019,109,139
Non-current liabilities			
Deferred income tax liabilities, net	20	16,893,704	1,056,282
Long-term borrowings	11	1,000,000,000	1,000,000,000
Total non-current liabilities		1,016,893,704	1,001,056,282
Total liabilities		6,306,326,618	5,020,165,421
Equity			
Attributable to the owners of the Parent Company			
Share capital	12	7,142,857,990	7,142,857,990
Share premium	12	3,255,166,445	3,255,166,445
Reserve for remeasurement on retirement benefit	19	159,178,579	144,711,183
Fair value reserve on available-for-sale financial assets	7	45,251,900	40,735,680
Retained earnings	12	3,346,634,057	2,148,054,982
Total equity attributable to owners of the Parent Company		13,949,008,971	12,731,526,280
Non-controlling interest		21,167,847	18,621,879
Total equity		13,970,256,818	12,750,148,159
Total liabilities and equity		20,276,583,436	17,770,313,580

(The notes on pages 1 to 69 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income For each of the three years in the period ended December 31, 2016 (All amounts in Philippine Peso, except per share data)

	Notes	2016	2015	2014
Revenues				
Sales, net	13,18	22,194,673,216	19,547,657,506	15,973,325,260
Management service fees	13,18	37,723,088	30,046,666	147,776,953
		22,232,396,304	19,577,704,172	16,121,102,213
Cost of sales and services				
Cost of sales	14	(18,157,128,927)	(15,954,106,563)	(13,467,601,774)
Cost of services	14	(26,309,813)	(18,531,022)	(82,519,588)
		(18,183,438,740)	(15,972,637,585)	(13,550,121,362)
Gross profit				
		4,048,957,564	3,605,066,587	2,570,980,851
Selling and marketing expenses	15	(563,546,088)	(486,121,054)	(413,204,394)
General and administrative expenses	16	(268,254,400)	(280,294,916)	(157,967,893)
Gain on remeasurement of previously held interest in associate	1.2.1	-	-	960,463,563
Other income, net	17	84,653,275	116,677,258	35,300,387
Operating profit				
		3,301,810,351	2,955,327,875	2,995,572,514
Finance costs				
Interest expense	11	(112,819,370)	(105,325,309)	(45,273,125)
Foreign exchange gain (loss), net	21	21,894,900	(52,781,622)	(95,964)
		(90,924,470)	(158,106,931)	(45,369,089)
Profit before share in profit of associate				
		3,210,885,881	2,797,220,944	2,950,203,425
Share in profit of associate	8	-	-	146,859,417
Profit before income tax expense				
		3,210,885,881	2,797,220,944	3,097,062,842
Income tax expense				
Current		(569,398,686)	(518,882,369)	(371,466,686)
Deferred		(11,804,203)	5,903,239	(5,828,165)
	20	(581,202,889)	(512,979,130)	(377,294,851)
Profit for the year				
		2,629,682,992	2,284,241,814	2,719,767,991
Other comprehensive income				
<i>Item that will not be subsequently reclassified to profit or loss</i>				
Remeasurement gain on retirement benefit, net of tax	19	14,481,045	27,990,108	83,889,797
<i>Item that may be subsequently reclassified to profit or loss</i>				
Fair value adjustment on available-for-sale financial assets, net of tax	7	4,516,220	5,748,802	18,699,826
		18,997,265	33,738,910	102,589,623
Total comprehensive income for the year				
		2,648,680,257	2,317,980,724	2,822,357,614
Profit for the year attributable to:				
Owners of the Parent Company		2,627,150,673	2,280,308,939	2,718,952,061
Non-controlling interest		2,532,319	3,932,875	815,930
		2,629,682,992	2,284,241,814	2,719,767,991
Total comprehensive income attributable to:				
Owners of the Parent Company		2,646,134,289	2,314,013,390	2,821,510,907
Non-controlling interest		2,545,968	3,967,334	846,707
		2,648,680,257	2,317,980,724	2,822,357,614
Earnings per share				
Basic and diluted	12.4	0.37	0.32	0.38

(The notes on pages 1 to 69 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2016
(All amounts in Philippine Peso)

	Notes	2016	2015	2014
Cash flows from operating activities				
Profit before income tax expense		3,210,885,881	2,797,220,944	3,097,062,842
Adjustments for:				
Depreciation and amortization	9	354,910,685	342,740,861	249,555,583
Unrealized foreign exchange (gain) loss	21	(14,146,749)	34,723,714	13,366,123
Provision for inventory losses	5	3,965,864	14,337,275	1,297,228
Provision for impairment of receivables	16	6,943,006	3,601,001	16,514,490
Loss on direct write-off of receivables	15	1,434,877	369,073	120,181
Share in profit of associate	8	-	-	(146,859,417)
Gain on remeasurement of previously held interest in associate	1.2.1	-	-	(960,463,562)
(Gain) loss on disposal of property and equipment	17	(1,005,422)	(83,172,348)	111,122
Dividend income	17	(53,646)	(151,988)	(311,077)
Interest income	17	(5,313,789)	(3,719,965)	(16,430,130)
Interest expense	11	112,819,370	105,325,309	45,273,125
Operating profit before working capital changes		3,670,440,077	3,211,273,876	2,299,236,508
(Increase) decrease in:				
Receivables		(1,346,784,631)	649,777,753	(775,359,334)
Inventories		(1,047,543,203)	208,482,830	(534,403,413)
Due from related parties		33,922,964	(8,920,345)	(111,444,802)
Loans receivable		-	-	11,000,000
Prepayments and other current assets		(365,617,030)	(222,887,485)	20,150,127
Retirement benefit assets		499,198	3,123,070	1,053,070
Other non-current assets		(82,907,253)	749,392,139	(7,304,068)
Increase (decrease) in:				
Trade payables and other liabilities		570,657,389	(400,403,858)	(471,925,681)
Due to related parties		16,598,621	(24,833,811)	26,747,620
Cash generated from operations		1,449,266,132	4,165,004,169	457,750,027
Income taxes paid		(557,429,206)	(368,520,830)	(419,946,387)
Interest received from banks		5,313,789	3,719,965	22,644,477
Net cash provided by operating activities		897,150,715	3,800,203,304	60,448,117
Cash flows from investing activities				
Dividend received	8,17	53,646	151,988	54,434,405
Cash paid for the acquisition of a subsidiary, net of cash acquired	1.2.1	-	-	(4,557,294,662)
Change in ownership interest from associate to subsidiary	1.1	-	-	(13,807,838)
Acquisition of property and equipment	9	(389,095,026)	(298,137,950)	(260,748,922)
Proceeds from disposal of property and equipment	9	4,885,738	325,845,672	4,925,378
Net cash (used in) provided by investing activities		(384,155,642)	27,859,710	(4,772,491,639)
Cash flows from financing activities				
Proceeds from borrowings		2,591,441,400	14,400,000,000	7,499,671,757
Payment of borrowings		(1,920,000,000)	(16,264,863,741)	(3,647,759,437)
Dividends paid	12	(1,428,571,598)	(535,714,349)	(714,385,799)
Interest paid		(113,878,401)	(108,966,976)	(45,273,125)
Net cash (used in) provided by financing activities		(871,008,599)	(2,509,545,066)	3,092,253,396
Net increase (decrease) in cash and cash equivalents		(358,013,526)	1,318,517,948	(1,619,790,126)
Cash and cash equivalents, January 1	3	3,126,096,790	1,807,038,648	3,438,432,258
Effect of foreign exchange rate changes		11,950,345	540,194	(11,603,484)
Cash and cash equivalents, December 31	3	2,780,033,609	3,126,096,790	1,807,038,648

(The notes on pages 1 to 69 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2016
(All amounts in Philippine Peso)

	Attributable to the owners of the Parent Company						
	Share capital (Note 12)	Share premium (Note 12)	Reserve for remeasurement on retirement benefit (Note 19)	Fair value reserve on available-for- sale financial assets (Note 7)	Retained earnings (Note 12)	Non- controlling interest	Total equity
Balances at January 1, 2014	3,571,428,995	3,255,166,445	20,616,746	16,287,052	1,996,258,069	-	8,859,757,307
Comprehensive income							
Profit for the year	-	-	-	-	2,718,952,061	815,930	2,719,767,991
Other comprehensive income for the year	-	-	83,859,020	18,699,826	-	30,777	102,589,623
Total comprehensive income for the year	-	-	83,859,020	18,699,826	2,718,952,061	846,707	2,822,357,614
Transaction with owners							
Credits (Charges) to equity as a result of acquisition of shareholdings (Note 1.1)	-	-	12,279,768	-	(26,034,944)	13,807,838	52,662
Declaration of cash dividend	-	-	-	-	(714,285,799)	-	(714,285,799)
Total transactions with owners	-	-	12,279,768	-	(740,320,743)	13,807,838	(714,233,137)
Balances at December 31, 2014	3,571,428,995	3,255,166,445	116,755,534	34,986,878	3,974,889,387	14,654,545	10,967,881,784
Comprehensive income							
Profit for the year	-	-	-	-	2,280,308,939	3,932,875	2,284,241,814
Other comprehensive income for the year	-	-	27,955,649	5,748,802	-	34,459	33,738,910
Total comprehensive income for the year	-	-	27,955,649	5,748,802	2,280,308,939	3,967,334	2,317,980,724
Transactions with owners							
Declaration of stock dividend	3,571,428,995	-	-	-	(3,571,428,995)	-	-
Declaration of cash dividend	-	-	-	-	(535,714,349)	-	(535,714,349)
Total transactions with owners	3,571,428,995	-	-	-	(4,107,143,344)	-	(535,714,349)
Balances at December 31, 2015	7,142,857,990	3,255,166,445	144,711,183	40,735,680	2,148,054,982	18,621,879	12,750,148,159
Comprehensive income							
Profit for the year	-	-	-	-	2,627,150,673	2,532,319	2,629,682,992
Other comprehensive income for the year	-	-	14,467,396	4,516,220	-	13,649	18,997,265
Total comprehensive income for the year	-	-	14,467,396	4,516,220	2,627,150,673	2,545,968	2,648,680,257
Transactions with owners							
Declaration of cash dividend	-	-	-	-	(1,428,571,598)	-	(1,428,571,598)
Balances at December 31, 2016	7,142,857,990	3,255,166,445	159,178,579	45,251,900	3,346,634,057	21,167,847	13,970,256,818

(The notes on pages 1 to 69 are integral part of these consolidated financial statements)

D&L Industries, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2016 and 2015

and for each of the three years in the period ended December 31, 2016

(All amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information

1.1 Business information

D&L Industries, Inc. (the "Parent Company" or "D&L") was registered with the Securities and Exchange Commission (SEC) on July 27, 1971 primarily to invest in, purchase or otherwise acquire and own, hold, use, mortgage, pledge, exchange, or otherwise dispose of personal property of any corporation. The Parent Company is also engaged to carry on and conduct its business through any subsidiary companies or managers, or to enter into working agreements with other corporations including providing its subsidiaries corporate support services.

On November 5, 2012 and November 16, 2012, the SEC and Philippine Stock Exchange (PSE), respectively, approved the Parent Company's application for the initial public offering. The Parent Company attained its status of being a "public company" on December 12, 2012 when it listed its share in the Philippine Stock Exchange (PSE). As a public company, it is covered by Part I Section 2 A (i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011 and also covered by additional requirements under SRC Rule 68, as amended, Part II.

On May 11, 2015, the Parent Company's Board of Directors (BOD), through an amendment of the Parent Company's Articles of Incorporation, added, as an additional secondary purpose, the business of establishing and operating an analytical laboratory and rendering chemical testing services. These amendments were approved and ratified by the Parent Company's stockholders during the annual stockholders meeting on June 8, 2015. The SEC approved the amendment on July 24, 2015.

The Parent Company is a subsidiary of Jadel Holdings, Inc. (JHI). As at December 31, 2016, of the total shares outstanding, JHI held 57.8% (2015 - 57.5%), local individuals held 10.9% (2015 - 10.9%) and LBL Industries, Inc. held nil (2015 - 0.2%). The remaining 31.3% (2015 - 31.4%) were publicly held.

The Parent Company's ultimate Parent Company is Banco de Oro Trust, organized and domiciled in the Philippines, with a group of local individuals as the beneficial owner.

As at December 31, 2016, the Parent Company has sixty six (66) shareholders (2015 - 43; 2014 - 25) owning one hundred (100) or more shares each.

The Parent Company's registered office address which is also its principal place of business is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila. As at December 31, 2016, the Parent Company has 135 regular employees (2015 - 182).

The consolidated financial statements of the Group as at December 31, 2016 were authorized and approved for issuance by the BOD on February 27, 2017. There are no significant events that occurred subsequent to February 27, 2017 until March 3, 2017 requiring adjustment or disclosure in the consolidated financial statements.

1.2 Consolidation

As at December 31, 2016, the consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, namely, First in Colours, Incorporated (FIC) and its subsidiary, D&L Polymer and Colours, Inc. (DLPCI), Aero-Pack Industries, Inc. (API), Oleo-Fats, Incorporated (OFI), and Chemrez Technologies, Inc. (CTI) and its subsidiaries, Chemrez, Inc. (CHI), and Natura Nutricare Corporation (NNC).

As at December 31, 2015, the consolidated financial statements include the financial statements of the Parent Company and its subsidiaries, namely, FIC and its subsidiary, DLPCI, API, OFI, and CTI and its subsidiary, CHI.

The Parent Company and its subsidiaries are collectively referred to here as the "Group".

The principal activities of the subsidiaries are set out below.

	Ownership interest/ participating shares held			Registered place of business/ Country of incorporation	Main activity
	2016	2015	2014		
First In Colours, Incorporated (FIC)	100%	100%	100%	Philippines	FIC was registered with the SEC on November 17, 1988 primarily to carry on the business of importing, exporting, manufacturing and distributing at wholesale and retail chemical products, compounds, derivatives or chemical substances and generally, engage in and conduct any form of manufacturing or mercantile enterprises. Its registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.
D&L Polymer and Colours, Inc. (DLPCI)	100%	100%	100%	Philippines	DLPCI was incorporated and registered with the SEC on March 30, 2006 primarily to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, producing, refining, beneficiating and disposing at wholesale and retail of chemical products, compounds, derivatives or chemical substances and all kinds of goods, wares, manufactures, such as, but not limited to, machines, supplies and products and generally to engage in the conduct of manufacturing or mercantile enterprises. DLPCI is a wholly-owned subsidiary of FIC, and it is indirectly a wholly-owned subsidiary of the Parent Company. Its registered address, which is also its principal place of business, is at Carmelray Industrial Park, Laguna.
Aero-Pack Industries, Inc. (API)	100%	100%	100%	Philippines	API was incorporated and registered with the SEC on September 29, 1989 to engage in the manufacture of aerosol packaging materials, aerosol products, chemical derivatives and compounds and other related products. Its registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.

	Ownership interest/ participating shares held			Registered place of business/ Country of incorporation	Main activity
	2016	2015	2014		
Oleo-Fats, Incorporated (OFI)	100%	100%	100%	Philippines	<p>OFI was registered with the SEC on May 4, 1987 to carry on the business of manufacturing, processing, sourcing, marketing, selling, utilizing fats and oils, oleo chemicals and derivatives, distributing locally and abroad.</p> <p>Its registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.</p>
Chemrez Technologies, Inc. (CTI)	99.7%	99.7%	99.7%	Philippines	<p>CTI was incorporated and registered with the SEC on June 1, 1989. CTI is engaged in the business of manufacturing, processing, refining all kinds of chemical products, compounds, derivatives or chemical substances and all kinds of goods, wares, supply and manufacture, buy, sell, trade, distribute or otherwise dispose of the same, locally or abroad, in the normal course of business without engaging in the business of manufacturing food, drugs and cosmetics.</p> <p>CTI attained its status of being a "public company" on December 8, 2000 and was listed on the Philippine Stock Exchange up to January 2015 as discussed below.</p> <p>On May 12 and June 9, 2007, CTI's BOD and Shareholders, respectively, authorized CTI to invest and/or engage in the manufacture, sale and distribution of biodiesel under the brand "BioActiv".</p> <p>As further discussed below, on August 29, 2014, the Parent Company's BOD resolved to purchase the remaining 65% equity from other shareholders through a tender offer for a consideration of P5.1 billion. As a result, CTI became 100% owned by the Parent Company as at October 7, 2014. On January 6, 2015, the Board of Directors of the PSE granted the petition for voluntary delisting filed by CTI and ordered the delisting of the shares of CTI from the Official Registry of the Exchange effective January 10, 2015.</p> <p>The Parent Company's ownership interests were accounted for as investment in associate until October 6, 2014.</p> <p>As at December 31, 2016 and 2015, CTI is a wholly-owned subsidiary of the Parent Company.</p> <p>CTI's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.</p>

	Ownership interest/ participating shares held			Registered place of business/ Country of incorporation	Main activity
	2016	2015	2014		
Chemrez, Inc. (CHI)	99.7%	99.7 %	99.7%	Philippines	<p>CHI was registered with the SEC on November 16, 1988 to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, and disposing at wholesale and retail of chemical products, compounds, derivatives of chemical substances and generally engage in and conduct any form of manufacturing or mercantile enterprises.</p> <p>Following the Parent Company's acquisition of additional controlling interest in CTI in 2014 as discussed above, CHI indirectly became a wholly-owned subsidiary of the Parent Company.</p> <p>The Parent Company's ownership interests were accounted for as investment in associate until October 6, 2014.</p> <p>As at December 31, 2016 and 2015, CHI is a wholly-owned subsidiary of CTI.</p> <p>CHI's registered address, which is also its principal place of business, is at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.</p>
Natura Nutricare Corporation (NNC)	99.7%	-	-	Philippines	<p>NNC was incorporated and registered with the SEC on July 20, 2016 primarily to carry on the business of buying, selling, importing, exporting, bartering, distributing, exchanging, processing, manufacturing, and disposing at wholesale and retail chemical products, compounds, derivatives of chemical substances and generally engage in and conduct any form of manufacturing or mercantile enterprises.</p> <p>As at December 31, 2016 NNC is a wholly-owned subsidiary of CTI. NNC is indirectly a wholly-owned subsidiary of the Parent Company.</p> <p>NNC's registered address, which is also its principal place of business, at No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila.</p>

1.2.1 Acquisition of controlling interest in CTI

On August 29, 2014, the Parent Company's BOD resolved to acquire all the outstanding shares of CTI not currently owned by the Parent Company for P6.00 per share through a public tender offer for a total acquisition cost of P5,078.5 million. On October 7, 2014 (the acquisition date), a total of 846,408,196 shares have been tendered, representing approximately 65% of the issued and outstanding shares of CTI. As a result, CTI became a 100% owned by the Parent Company effective October 7, 2014.

The purchase method of accounting is used to account for the above acquisition (common control business combination) whereby the cost of an acquisition is measured at the fair value of the consideration given.

The following commercial substance of transaction supporting the rationale behind the use of purchase method was accordingly considered by management:

- (i) the main objective of the transaction is to fully consolidate the Group's operations, through acquisition of further interest in CTI;
- (ii) a re-assessment of net assets of CTI was accordingly carried out by management;
- (iii) the acquisition brought the entities together in a reporting structure that did not exist before, such that CTI transitioned from associate to a subsidiary and from equity method of accounting to full consolidation, at the Parent Company level;
- (iv) significant change in ownership of the Parent Company from non-controlling to controlling interest in CTI;
- (v) the involvement of parties holding non-controlling interests, including public interest, from which additional shares were acquired by the Parent Company; and
- (vi) as a result of the acquisition and full consolidation, the Parent Company (as the acquiring entity) is expected to benefit with respect to improvement in its consolidated financial performance, results of operations and cash flows from the full consolidation of CTI.

The details of the fair value of net assets acquired at acquisition date are as follows:

	(in million Peso)
Current assets	
Cash	514.7
Trade and other receivables	1,214.1
Inventories	1,123.7
Prepayments	926.4
Input VAT	118.6
Other current assets	131.7
Total current assets	4,029.2
Non-current assets	
Property, plant and equipment	1,028.4
Input VAT	745.2
Other non-current assets	30.8
Total non-current assets	1,804.4
Total assets	5,833.6
Current liabilities	
Trade and other payables	871.1
Income tax payable	28.7
Borrowings	506.8
Total liabilities	1,406.6
Net assets	4,427.0

The fair value of assets and liabilities acquired were determined on the basis of income approach, except for property, plant and equipment, retirement benefits and deferred income tax. The fair value of property, plant and equipment was determined based on appraisal reports by external professional valuers. Retirement benefits and deferred income taxes were measured in accordance with PAS 19, Retirement Benefits, and PAS 12, Income Taxes, respectively, in accordance with the provisions of PFRS 3, Business Combinations - Exceptions to Recognition or Measurement Principles. Management believes that the above valuation techniques are considered appropriate given the circumstances and the nature and components of the assets and liabilities acquired.

The gross contractual amount of trade and other receivables is equivalent to its fair value at acquisition date. There are no contingent liabilities assumed at acquisition date.

The consideration given with respect to the acquisition is based on the fair market value of CTI's shares on the date of acquisition totaling P5,078.5 million less acquisition-related costs amounting to P6.5 million which was charged to profit or loss in 2014. Goodwill amounting to P3,367.9 million was recognized from this acquisition.

Also, a gain was recognized in the remeasurement of previously held equity interest to fair value specific to this transaction amounting to P960.5 million in the Group's consolidated statement of total comprehensive income in 2014. The summary of this determination is presented below:

	(In million Peso)
<i>Goodwill calculation</i>	
Consideration transferred, net of transaction costs	5,072.0
Non-controlling interest	13.8
Fair value of previously held equity interest	2,709.1
Total	7,794.9
Less: Recognized value of 100% of identifiable assets	(4,427.0)
Goodwill	3,367.9
<i>Remeasurement of previously held equity interest</i>	
Fair value of previously held equity (451,507,804 shares x P6.00)	2,709.1
Carrying value of previously held equity interest	1,748.6
Gain on remeasurement of previously held equity interest in CTI to fair value on acquisition of control	960.5

There are no other expenses paid, contingent consideration arrangement and indemnification assets in relation to the business combination.

Cash paid for the acquisition of a subsidiary of P5,072 million is presented net of cash from acquired subsidiary of P514.7 million for a net cash paid of P4,557.3 million in the consolidated statement of cash flows for the year ended December 31, 2014.

The consolidated statement of total comprehensive income for the year ended December 31, 2014 include the results of operation of CTI and its subsidiary, CHI, for the period from October 7, 2014 to December 31, 2014.

Had it been that the business combination occurred at January 1, 2014, the aggregate revenue and profit or loss of the combined entities for year ended December 31, 2014 are as follows:

(In million Peso)	Parent Company and subsidiaries prior to acquisition of CTI	CTI and CHI	Eliminations	Combined
Revenues	14,665	6,267	(483)	20,449
Cost of sales and services	(12,356)	(5,294)	449	(17,201)
Gross profit	2,309	973	(34)	3,248
Net operating income and expenses	(463)	(245)	34	(674)
Operating profit	1,846	728	-	2,574
Finance cost	(56)	(10)	-	(66)
Profit before income tax	1,790	718	-	2,508
Income tax expense	(347)	(126)	-	(473)
	1,443	592	-	2,035

1.2.2 Critical accounting judgment: determining commercial substance of business acquisition

The Group has adopted the acquisition (purchase) method of accounting for common control business combinations. In applying this method, the Group evaluates whether the business combination has commercial substance following the Philippine Interpretations Committee Question and Answer (PIC Q&A) 2011-02.

In making that judgment, the Group considers the purpose of the transaction, involvement of outside parties in the transaction, whether or not the transaction is conducted at fair value, the existing activities of the entities involved in the transactions, whether or not the transaction is bringing entities together into a reporting entity that did not exist before, whether a new company is established, the extent to which an acquiring entity's future cash flows are expected to change as a result of the business combination, among other factors.

Based on management's judgment and assessment, the acquisition of CTI in 2014 was determined to have commercial substance under PIC Q&A 2011-02 (Note 1.2.1).

1.2.3 Critical accounting estimate and judgment: impairment tests for goodwill; key assumptions used for value-in-use calculations

The Group reviews goodwill annually for impairment or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill is monitored by management at the level of oleochemicals, resin and powder coatings segment (lowest level of cash generating unit or CGU) following the business acquisition of CTI as discussed in Note 1.2.

As at December 31, 2016 and 2015, the recoverable amount of oleochemicals, resin and powder coatings CGU (the "CGU") was determined based on value-in-use (VIU) calculation (using Level 3 inputs) and require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period.

The cash flow forecast reflect management's expectation of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate. The growth rate is consistent with forecasts included in industry reports specific in which the CGU operates.

A weighted average of cost of capital (WACC) is used in discounting the free cash flows; this reflects the expectation of return on the capital market.

The following are the key assumptions used as at December 31, 2016 and 2015:

Revenue growth rate	8-10%
WACC	17-18%
Terminal growth rate	3%

Based on the above assessment, goodwill is not impaired as at December 31, 2016 and 2015 as the recoverable amount exceeds the carrying amount of the CGU included in the financial statements.

As at December 31, 2016, if the above key assumptions increased/decreased by 1%, the recoverable amount of the CGU will decrease/increase by P662 million/P1,752 million which will not result in an impairment charge to goodwill.

The Group's goodwill impairment review includes an impact assessment of changes in key assumptions used for VIU calculations. Based on the sensitivity analysis performed, the BOD concluded that no reasonable change in the base case assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

Note 2 - Segment information

Primary reporting - business segments

The Group's operating businesses are organized and managed according to the nature of the products marketed. Each segment, representing a strategic business unit, offers different products and services to different markets.

The Group has organized its reporting structure based on the grouping of similar products and services resulting in the following business segments:

(i) Food ingredients

The Group, operating through its subsidiary OFI, manufactures a line of industrial fats and oils, food ingredients, specialty fats and oils and culinary and other specialty food ingredients. The Group supplies food ingredients to most of the leading food manufacturers and quick-service restaurant chains in the Philippines, and also produces food safety solutions such as cleaning and sanitation agents for various customers.

(ii) Colorants and plastic additives

The Group, operating through its subsidiaries FIC and the latter's subsidiary, DLPCI, manufactures a line of pigment blends, color and additive master batches and engineered polymers for a wide range of applications, introducing a number of products into the Philippine market and expanding into the export of certain products overseas. The Group's products add properties such as precise coloring, reduced friction or increased resistance to degradation for plastics used in consumer goods, appliances and outdoor furniture.

(iii) Oleochemicals, resins and powder coatings

The Group, operating through its subsidiary CTI and the latter's subsidiaries, CHI, and NNC, manufactures Coconut Methyl Ester ("CME", also known as coco-biodiesel), other oleochemicals or chemicals derived from vegetable oils, resins such as polystyrene, acrylic emulsions and polyester; and a line of powder coatings.

(iv) Aerosols

The Group, operating through its subsidiary API, manufactures aerosol cans and components, and provides contract aerosol filling and compounding services. The Group also toll manufactures a range of products, including insect control, industrial maintenance chemicals, and home and personal care products, among others.

(v) Management and administrative

The Parent Company maintains significant operational control of its subsidiaries that provide goods and services complementary to those provided by the Group, through a contractual "shared services" model (Note 18).

The following table presents the segment information provided to the ManCom about the Group's business segments for the years ended December 31:

	Food ingredients	Colorants and plastic additives	Oleo chemicals, resins and powder coatings	Aerosols	Management and administrative	Eliminations	Total
2016							
External revenue	11,478,508,483	2,670,377,767	6,842,613,440	411,641,178	1,889,784	-	21,405,030,652
Sales to related parties	464,151,940	73,904,507	59,618,945	191,967,173	37,723,088	-	827,365,652
Intersegment sales	76,640,531	121,856,185	60,321,527	18,751,767	1,934,506,824	(2,212,076,834)	-
Segment result	1,248,880,372	911,278,816	1,004,965,176	179,673,281	98,569,402	(226,209,972)	3,217,157,075
General corporate income	27,288,510	18,336,902	22,186,614	1,158,729	22,790,943	(7,108,422)	84,653,276
Finance costs	(28,916,118)	(5,615,777)	(36,228,191)	-	(20,164,384)	-	(90,924,470)
Income tax expense	(310,780,489)	(62,089,877)	(132,532,651)	(37,126,519)	(38,673,353)	-	(581,202,889)
Profit for the year	936,472,275	861,910,064	858,390,948	143,705,491	62,522,608	(233,318,394)	2,629,682,992
2015							
External revenue	9,897,807,861	2,571,539,889	6,324,425,897	378,890,284	1,707,577	-	19,174,371,508
Sales to related parties	217,318,563	-	43,123,597	112,843,838	30,046,666	-	403,332,664
Intersegment sales	56,444,221	28,540,724	35,142,729	22,795,705	3,943,257,519	(4,086,180,898)	-
Segment result	1,183,653,416	436,875,099	889,192,863	126,114,199	31,451,187	171,363,853	2,838,650,617
General corporate income	16,227	289,173,190	615,281,093	308,273	24,837,874	(812,939,399)	116,677,258
Finance costs	(78,200,143)	(4,401,424)	(45,510,524)	-	(29,994,840)	-	(158,106,931)
Income tax expense	(278,996,744)	(32,571,126)	(170,976,489)	(26,618,409)	(3,816,362)	-	(512,979,130)
Profit for the year	826,472,756	689,075,739	1,287,986,943	99,804,063	22,477,859	(641,575,546)	2,284,241,814
2014							
External revenue	10,997,331,403	2,775,504,727	1,596,199,253	200,006,866	4,717,282	-	15,573,759,531
Sales to related parties	262,775,225	22,569,040	-	114,221,464	147,776,953	-	547,342,682
Intersegment sales	29,034	89,197,587	-	131,708,428	1,416,880,847	(1,637,815,896)	-
Segment result	964,411,802	579,635,587	244,383,370	118,987,996	98,746,323	(6,356,514)	1,999,808,564
General corporate income	2,605,904	(418,586)	(100,137)	683,113	1,144,580,690	(4,727,617)	1,142,623,367
Finance costs	(29,177,047)	(185,317)	(2,706,725)	-	(13,300,000)	-	(45,369,089)
Income tax expense	(242,794,036)	(30,244,325)	(29,819,861)	(24,597,347)	(49,839,282)	-	(377,294,851)
Profit for the year	695,046,623	548,787,359	211,756,647	95,073,762	1,180,187,731	(11,084,131)	2,719,767,991

Eliminations pertain to the consolidation adjustments in the preparation of the consolidated financial statements as discussed in Note 24.6.1.

Other segment information as at December 31 are as follows:

	Food ingredients	Colorants and plastic additives	Oleochemicals, resins and powder coatings	Aerosols	Management and administrative	Total
<i>2016</i>						
Segment assets	7,787,631,101	1,952,419,942	5,556,801,378	389,226,505	4,590,504,510	20,276,583,436
Segment liabilities	4,204,442,035	428,338,355	1,256,887,436	52,772,498	363,886,294	6,306,326,618
Capital expenditures	144,416,168	60,083,321	89,881,060	10,230,963	84,483,514	389,095,026
Depreciation and amortization	163,354,059	30,384,257	104,521,359	9,258,678	47,392,332	354,910,685
Non-cash expenses other than depreciation and amortization	3,447,829	15,563,895	10,657,562	5,787,920	7,618,559	43,075,765
<i>2015</i>						
Segment assets	5,542,138,010	1,611,893,792	5,480,673,658	312,521,888	4,823,086,232	17,770,313,580
Segment liabilities	1,935,841,404	366,044,247	2,218,531,238	27,223,245	472,525,287	5,020,165,421
Capital expenditures	108,952,436	58,306,516	55,315,597	22,203,735	53,359,666	298,137,950
Depreciation and amortization	167,243,984	28,497,987	94,109,211	8,073,587	44,816,092	342,740,861
Non-cash expenses other than depreciation and amortization	39,829,128	2,554,140	4,255,593	662,968	7,997,434	55,299,263
<i>2014</i>						
Segment assets	5,578,173,868	1,871,564,324	6,141,224,765	328,879,838	4,288,757,364	18,208,600,159
Segment liabilities	2,162,313,019	429,938,519	1,545,962,163	81,440,092	3,021,064,585	7,240,718,378
Capital expenditures	114,779,678	74,719,783	26,073,362	14,660,275	30,515,824	260,748,922
Depreciation and amortization	167,169,570	24,601,245	22,927,136	6,568,083	28,289,549	249,555,583
Non-cash expenses other than depreciation and amortization	4,494,238	3,786,867	27,219,605	857,822	10,068,253	46,426,785

The amounts provided to the ManCom with respect to total assets, liabilities and profit or loss are recognized and measured in a manner consistent with that of the consolidated financial statements.

Secondary reporting - geographical information

For the years ended December 31, 2016, the revenue from customers in the Philippines is P19,637,368,218 (2015 - P17,581,257,926; 2014 - P14,345,192,262), and the total of revenue from customers in other countries is P2,595,028,086 (2015 - P1,996,446,246; 2014 - P1,775,909,951).

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2016	2015
Cash in banks	2,437,407,634	2,895,969,030
Short-term investments	339,922,027	222,184,146
Cash on hand	2,703,948	7,943,614
	2,780,033,609	3,126,096,790

Cash in banks earn interest at the bank deposit rates of 0.13% to 1.40% per annum for the years ended December 31, 2016 and 2015. Short-term investments are time deposits and other cash placements with original maturities of less than three months, which earn interest at the rates of 1.00% to 2.50% per annum for the years ended December 31, 2016 and 2015. The Group earned interest income from the above cash and cash equivalents amounting to P5,313,789 during the year (2015 - P3,719,965; 2014 - P16,430,130) (Note 17).

Note 4 - Receivables, net

Receivables, net as at December 31 consist of:

	Note	2016	2015
Trade receivables		4,020,553,187	2,967,551,773
Less: allowance for impairment of receivables		(11,901,872)	(18,079,858)
		4,008,651,315	2,949,471,915
Advances to suppliers		600,765,893	307,818,075
Advances to officers and employees	18.6	4,137,606	7,612,807
Other receivables		688,128	8,021,075
		4,614,242,942	3,272,923,872

Movements in the allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2016	2015	2014
Beginning of year		18,079,858	18,671,559	78,336
Provision during the year	16	6,943,006	3,601,001	16,514,490
Allowance for impairment from acquired subsidiary		-	-	2,078,733
Written off during the year		(13,120,992)	(4,192,702)	-
End of year		11,901,872	18,079,858	18,671,559

For the year ended December 31, 2016, the Group has directly written off uncollectible other receivables amounting to P1,434,877 (2015 - P369,073; 2014 - P120,181) charged as part of general and administrative expenses (Note 16).

4.1 Critical accounting estimate and judgment: allowance for impairment of receivables

Allowance for impairment of receivables is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of provision is based on past collection experience and other factors that may affect collectibility. An evaluation of the receivables, designed to identify potential charges to the provision, is performed on a continuous basis throughout the year.

Management evaluates specific accounts of customers who are unable to meet their financial obligations. In these cases, management uses judgment based on the best available facts and circumstances, including but not limited to, the length of relationship with the customers and the customers' payment history. The amount and timing of recorded provision for impairment for any period would therefore differ based on the judgments made.

In relation to receivables which are past due but not impaired as at December 31, 2016 and 2015, particularly those over 90 days which account for 6.5% of receivables (2015 - 6.6%), no provision for impairment has been determined by management to be necessary considering customer relationship and historical collection experience.

Management believes, based on its assessment and judgment, that the allowance for impairment of receivables as at December 31, 2016 and 2015 is adequate.

Note 5 - Inventories

Inventories as at December 31 consist of:

	2016	2015
At net realizable value		
Finished goods	1,513,519,951	1,215,385,690
Less: allowance for inventory losses	(19,600,367)	(15,634,503)
	1,493,919,584	1,199,751,187
At cost		
Raw materials	2,894,535,259	2,300,403,787
Raw materials - in transit	252,926,716	97,649,245
	4,641,381,559	3,597,804,219

The cost of inventories recognized in cost of sales for the year ended December 31, 2016 amounted to P18,157,128,927 (2015 - P15,954,106,563; 2014 - P13,467,601,774) (Note 14).

Movements in the allowance for inventory losses for the years ended December 31 are as follows:

	2016	2015	2014
Beginning of year	15,634,503	1,297,228	-
Provision during the year	18,303,139	14,337,275	1,297,228
Written off during the year	(14,337,275)	-	-
End of year	19,600,367	15,634,503	1,297,228

5.1 Critical accounting estimate and judgment: allowance for inventory losses

Allowance for inventory losses is maintained at a level considered adequate to provide for potential loss on inventory items. The level of provision is based on past experience and other factors affecting the recoverability and obsolescence of inventory items. An evaluation of inventories, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to evaluation of individual inventory items' future recoverability and utilization. The amount and timing of recorded provision for inventory obsolescence for any period would therefore differ based on the judgments made. A change in provision for inventory obsolescence would impact the Group's recorded expenses and carrying value of inventories.

The carrying values of the inventories at the end of the reporting period and the amount and timing of recorded provision for inventory obsolescence for any period could be materially affected by actual experience and changes in such judgments such as effect of technological obsolescence, competition in the market and changes in prices of raw and packaging materials, including any associated labor costs. Thus, it is reasonably possible, on the basis of existing knowledge, that outcome within the next financial year arising from changes in judgments may have a significant impact on the carrying amounts of and provisions for inventories.

As at December 31, 2016, the Group reported an allowance for inventory losses amounting to P19,600,367 (2015 - P15,634,503).

Management believes, based on its assessment and judgment, that the allowance for inventory losses as at December 31, 2016 and 2015 is adequate.

Note 6 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	2016	2015
Input value-added tax (VAT), net of output VAT	1,497,839,172	1,085,752,801
Creditable withholding taxes	373,519,547	327,819,737
Deposit to suppliers	118,088,693	69,581,630
Prepaid taxes	65,689,356	211,058,064
Others	6,312,091	1,619,597
	<u>2,061,448,859</u>	<u>1,695,831,829</u>

Input VAT

The Group's input VAT as at December 31 consist of:

	2016	2015
Carry-over claimable against output VAT	895,143,253	724,458,561
Tax credit claim	575,715,289	324,314,058
On depreciable assets claimable against output VAT	3,540,634	27,672,388
Deferred	23,439,996	9,307,794
	<u>1,497,839,172</u>	<u>1,085,752,801</u>

Deferred input VAT pertains to input VAT on services which is claimable upon payment of related liabilities. As at December 31, 2016 and 2015, there are no disallowed tax credit certificate application.

As at December 31, 2016, non-current input VAT presented under other non-current assets amounted to P76,193,806 (2015 - nil).

Creditable withholding taxes (CWT)

CWT pertain to taxes withheld from income payments made to the Group and are creditable against future income tax payable.

Deposits to suppliers

Deposits to suppliers pertain to advance payments for inventory purchases for raw materials in transit as at December 31, 2016 and 2015.

Prepaid taxes

On January 29, 2013, BIR approved the monetization of tax credits of the Group amounting to P745,254,926. The amount was collected in full in December 2015.

Prepaid taxes as at December 31, 2016 and 2015 mainly pertain to actual tax credit certificates issued by the BIR in favor of the Group relating to filed application claims to convert excess input VAT into tax credit certificates.

6.1 Critical accounting judgment: Allowance for unrecoverable claim for input VAT

Allowance for unrecoverable claim for input VAT is maintained at a level considered adequate to provide for potentially unrecoverable tax claims from excess input VAT. The level of provision is based on factors affecting the recoverability of the tax credit claims applied and filed with the Bureau of Internal Revenue (BIR). An evaluation of the input VAT claims, designed to identify potential charges to the provision, is performed on a continuous basis throughout the period. Management uses judgment based on the best available facts and circumstances, including but not limited to the evaluation of the individual tax credit claim's recoverability considering the requirements of tax regulations and future utilization in determining provision for unrecoverable input VAT. A change in the provision would impact the Group's recorded carrying value of claim for input VAT and provision for impairment.

Based on management's assessment and judgment, no allowance for unrecoverable input VAT is necessary to be recognized as of December 31, 2016 and 2015 as there are no indications of impairment or changes in circumstances indicating that the carrying value of its input VAT may not be fully recoverable.

6.2 Critical accounting judgment: Allowance for CWT

The Group recognizes CWT to the extent that it is probable that future tax liabilities will be available against which tax credits can be utilized. Determining the realizability of CWT requires the assessment of the availability of taxable profit expected to be generated from the operations which effectively drives the tax liabilities against which such creditable taxes can be applied.

Significant judgment is required in determining the realizability of CWT. CWT arise mainly from the Parent Company's management and support services to its affiliates. Management believes that the Group would be able to obtain sufficient taxable income and future tax liabilities against which the CWT can be fully applied.

Based on management's assessment and judgment, no allowance for unrecoverable CWT has been recognized as of December 31, 2016 and 2015 as there are no indications of impairment or changes in circumstances indicating that the CWT may not be fully recoverable.

Note 7 - Available-for-sale financial assets

As at December 31, 2016, available-for-sale (AFS) financial assets amounted to P112,130,825 (2015 - P114,612,804).

As at December 31, 2016, fair value adjustment on AFS financial assets is presented net of deferred income tax of P501,802 (2015 - P638,756; 2014 - P2,077,758) in the consolidated statements of total comprehensive income and changes in equity.

7.1 Critical accounting judgment: impairment of available-for-sale financial assets

The Group follows the guidance in PAS 39 to determine when an available-for-sale financial asset is impaired. To determine if an available-for-sale financial asset is impaired, the Group evaluates if there is a significant (20% or more) or prolonged decline (more than 12 months) to which the fair value of the asset is less than its cost, and the financial health of and short-term business outlook for the investee (including factors such as industry and sector performance, changes in technology and operational and financing cash flows). The Group determines whether the decline in fair value are significant or prolonged before making an assessment as to whether a provision for impairment is needed to be recognised.

As at December 31, 2016 and 2015, based on management's assessment and judgment, there are no indications of impairment or changes in circumstances indicating that the carrying value of its available-for-sale financial assets may not be recoverable.

Note 8 - Investment in associate

The movements in investment in associate for the years ended December 31 are as follows:

	Note	2016	2015	2014
Balance at beginning of year		-	-	1,655,850,772
Share in profit of associate		-	-	146,859,417
Share in other comprehensive income of associate		-	-	-
Share in dividend declaration of associate		-	-	(54,123,328)
Changes in ownership interests from associate to subsidiary	1.2.1	-	-	(1,748,586,861)
Balance at end of year		-	-	-

Until October 6, 2014, CTI was an associate of the Parent Company. On October 7, 2014, the Parent Company completed the acquisition of 65% of CTI's outstanding shares through a public tender offer which resulted in CTI becoming a subsidiary of the Parent Company (Note 1.2.1).

Note 9 - Property, plant and equipment, net

Property, plant and equipment, net as at December 31 consist of:

	Land	Building and leasehold improvements	Transportation and delivery equipment	Office, furniture and fixtures	Tools, machinery and equipment	Construction in progress	Total
At January 1, 2014							
Cost	216,000,000	621,673,689	134,226,390	164,776,762	3,546,939,241	106,501,079	4,790,117,161
Accumulated depreciation and amortization	-	(157,343,868)	(113,795,233)	(126,951,741)	(1,738,076,132)	-	(2,136,166,974)
Net carrying value	216,000,000	464,329,821	20,431,157	37,825,021	1,808,863,109	106,501,079	2,653,950,187
For the year ended December 31, 2015							
Opening net carrying value	216,000,000	464,329,821	20,431,157	37,825,021	1,808,863,109	106,501,079	2,653,950,187
Additions	-	20,919,616	13,017,259	14,282,613	54,116,648	195,801,814	298,137,950
Transfers							
Cost	-	89,379,882	553,808	30,085,590	73,289,787	(194,930,711)	(1,621,644)
Accumulated depreciation and amortization	-	(4,176,671)	-	-	5,798,315	-	1,621,644
Disposals							
Cost	(216,000,000)	(55,910,550)	-	-	(1,498,038)	(396,303)	(273,804,891)
Accumulated depreciation and amortization	-	30,477,705	-	-	653,862	-	31,131,567
Depreciation and amortization	-	(35,073,701)	(21,188,615)	(23,162,660)	(263,315,885)	-	(342,740,861)
Closing net carrying value	-	509,946,102	12,813,609	59,030,564	1,677,907,798	106,975,879	2,366,673,952
At December 31, 2015							
Cost	-	676,062,637	147,797,457	209,144,965	3,672,847,638	106,975,879	4,812,828,576
Accumulated depreciation and amortization	-	(166,116,535)	(134,983,848)	(150,114,401)	(1,994,939,840)	-	(2,446,154,624)
Net carrying value	-	509,946,102	12,813,609	59,030,564	1,677,907,798	106,975,879	2,366,673,952
For the year ended December 31, 2016							
Opening net carrying value	-	366,143,055	12,813,609	59,030,564	1,821,710,845	106,975,879	2,366,673,952
Additions	-	7,189,684	47,786,771	27,828,202	49,916,182	256,374,187	389,095,026
Transfers							
Cost	-	3,970,370	-	14,746,482	57,832,333	(76,549,185)	-
Accumulated depreciation	-	53,606	-	-	(53,606)	-	-
Disposals							
Cost	-	-	-	-	(13,076,477)	-	(13,076,477)
Accumulated depreciation and amortization	-	-	-	-	9,196,161	-	9,196,161
Depreciation and amortization	-	(31,740,773)	(17,547,792)	(26,769,580)	(278,852,540)	-	(354,910,685)
Closing net carrying value	-	345,615,942	43,052,588	74,835,668	1,646,672,898	286,800,881	2,396,977,977
At December 31, 2016							
Cost	-	687,222,691	195,584,228	251,719,649	3,767,519,676	286,800,881	5,188,847,125
Accumulated depreciation and amortization	-	(197,803,702)	(152,531,640)	(176,883,981)	(2,264,649,825)	-	(2,791,869,148)
Net carrying value	-	489,418,989	43,052,588	74,835,668	1,502,869,851	286,800,881	2,396,977,977

Construction in progress represents building, leasehold improvements, various plant developments and machinery and equipment that will be used in operations and are expected to be fully completed within twelve months from reporting date.

Transfers represent reclassification of completed construction in progress to appropriate property, plant and equipment account.

In December 2015, the Group sold its land including the building and all improvements with a net carrying value of P241,829,148 to Indo Resources, Inc., a related party under common control, for a total consideration of P325,000,000.

Depreciation and amortization are charged for the years ended December 31 as follows:

	Notes	2016	2015	2014
Cost of sales	14	346,575,238	334,860,206	235,595,270
Cost of services	14	3,768,957	2,823,961	8,539,068
General and administrative expenses	16	4,566,490	5,056,694	5,421,245
		354,910,685	342,740,861	249,555,583

9.1 Critical accounting estimate: Useful life of property, plant and equipment

The useful life of each of the Group's property, plant and equipment is estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A change in the estimated useful life of any property, plant and equipment would impact the recorded depreciation expense and carrying value of property, plant and equipment.

9.2 Critical accounting judgment: impairment of property, plant and equipment

The Group's property, plant and equipment is carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those judgments could have a significant effect on the carrying value of property, plant and equipment and the amount and timing of recorded impairment provision for any period.

As at December 31, 2016 and 2015, management believes, based on its assessment and judgment, that there are no indications of impairment or changes in circumstances that the carrying value of its property, plant and equipment may not be recoverable.

Note 10 - Trade payables and other liabilities

Trade payables and other liabilities as at December 31 consist of:

	Note	2016	2015
Trade payables		1,258,218,863	702,478,019
Due to regulatory agencies		43,951,810	43,894,860
Accrued utilities		6,299,236	14,884,875
Advances from customers		5,482,266	3,974,030
Accrued interest expense		2,582,636	-
Advances from officers and employees	18.6	343,875	1,283,542
Others		49,620,757	29,669,845
		<u>1,366,499,443</u>	<u>796,185,171</u>

Due to regulatory agencies substantially consist of percentage tax payable, expanded withholding tax payable and withholding tax payable on compensation as at December 31, 2016 and 2015.

Others pertain to accruals for rent, employee benefits and professional fees.

Note 11 - Borrowings

Borrowings as at December 31 consist of:

	2016	2015
Current		
Philippine Peso	3,850,481,200	2,550,000,000
US Dollar	-	629,039,800
Non-current (Philippine Peso)	1,000,000,000	1,000,000,000
	<u>4,850,481,200</u>	<u>4,179,039,800</u>

The Group's outstanding borrowings are from local and foreign banks. These borrowings are covered by surety and corporate guarantee agreements (Notes 18.4 and 18.5).

In 2016 and 2015, short-term borrowings have an average maturity of one to eleven months and bear average interest rates ranging from 2.2% and 1.8% subject to monthly repricing. During 2016 and 2015, the Group obtained and repaid short-term loans in various dates which are presented in the consolidated statements of cash flows.

Long-term borrowings, payable in lump sum are due in August 2020 and are subject to fixed interest rate of 4%. Long-term borrowings of the Group were obtained to refinance short-term borrowings.

Short-term borrowings of the Group were obtained for working capital purposes.

Interest expense for the year ended December 31, 2016 amounted to P112,819,370 (2015 - P105,325,309; 2014 - P45,273,125).

There are no significant covenant provisions and warranties, including breaches thereof, related to the above borrowings.

Note 12 - Equity

12.1 Share capital and share premium

Details of share capital and share premium as at December 31 are as follows:

	2016		2015	
	Shares	Amount	Shares	Amount
Share capital				
Common shares at P1 par value per share				
<u>Authorized</u>				
January 1	18,000,000,000	18,000,000,000	4,000,000,000	4,000,000,000
Increase in authorized share capital	-	-	14,000,000,000	14,000,000,000
December 31	18,000,000,000	18,000,000,000	18,000,000,000	18,000,000,000
<u>Issued and outstanding</u>				
January 1	7,142,857,990	7,142,857,990	3,571,428,995	3,571,428,995
Stock dividends declared	-	-	3,571,428,995	3,571,428,995
December 31	7,142,857,990	7,142,857,990	7,142,857,990	7,142,857,990
Share premium		3,255,166,445		3,255,166,445

The Parent Company undertook a public offering of its common shares on December 12, 2012, in which the Parent Company issued 1 billion additional shares at P4.30 per share for a total consideration of P4.6 billion. As a result of the public offering, share premium amounting to P3.2 billion (net of share issuance costs of P280.5 million) has been recognized by the Parent Company as at December 31, 2012.

On November 5, 2013, which is also the date of approval by the SEC, the Parent Company registered its shares under the Securities Regulation Code (SRC) with an issue/offer price of P4.30. As at December 31, 2016 and 2015, the Parent Company's record of registration of its securities under the SRC reported 7,142,857,990 shares registered.

On May 11, 2015, the Parent Company's Board of Directors, through an amendment of the Parent Company's Articles of Incorporation, resolved to increase its authorized capital stock from four billion pesos (P4,000,000,000) divided into four billion (4,000,000,000) common shares with a par value of P1.00 each to eighteen billion pesos (P18,000,000,000) divided into eighteen billion (18,000,000,000) common shares with a par value of P1.00 each. The amendment was approved and ratified by the Parent Company's stockholders during the annual stockholders meeting on June 8, 2015. The SEC approved the increase in authorized capital stock on July 24, 2015.

12.2 Dividend declaration - Stock dividends

On May 11, 2015, the Parent Company's BOD approved the declaration of 100% stock dividends amounting to P3,571,428,995 (P1 per share) out of the unrestricted retained earnings of the Parent Company as at March 31, 2015 to be issued out of the increase in authorized share capital to all shareholders as at a record date set by the SEC after approval of the increase in the Parent Company's authorized capital stock. Following the approval by the SEC of Parent Company's increase in authorized capital stock, the Parent Company set the Record Date on August 20, 2015, and the issue and listing date on September 17, 2015. PSE approved the issue and listing of the additional shares on September 17, 2015.

12.3 Dividend declaration - Cash dividends

The Parent Company's BOD declared and paid cash dividends as follows:

Declaration date	Payment date	Dividend rate per share	Amount
June 6, 2016	July 8, 2016	P0.20 per share (consisting of P0.16 regular cash dividend and P0.04 special cash dividend)	P1,428,571,598
June 25, 2015	July 8, 2015	P0.15 per share (consisting of P0.10 regular cash dividend and P0.05 special cash dividend)	535,714,349
June 2, 2014	June 30, 2014	P0.20 per share (consisting of P0.10 regular cash dividend and P0.10 special cash dividend)	714,285,799

12.4 Earnings per share calculation

The calculation of earnings per share as at December 31 is as follows:

	2016	2015	2014
Profit for the year attributable to the owners of the Parent Company	2,627,150,673	2,280,308,939	2,718,952,061
Weighted average number of common shares	7,142,857,990	7,142,857,990	7,142,857,990
Basic and diluted earnings per share	0.37	0.32	0.38

The calculation of the basic and diluted earnings per share reflects the stock dividends of 3.5 billion shares in 2015 (Note 12.2).

The Parent Company has no dilutive potential ordinary shares. Therefore, the amount reported for basic and diluted earnings per share is the same.

Note 13 - Revenues

For the years ended December 31, revenues consist of the following:

	Note	2016	2015	2014
Sale of goods, gross		22,319,915,385	19,666,811,427	16,120,129,397
Sales discounts		(94,475,518)	(77,807,843)	(75,591,325)
Sales returns		(30,766,651)	(41,346,078)	(71,212,812)
Sale of goods, net	18	22,194,673,216	19,547,657,506	15,973,325,260
Management service fees	18	37,723,088	30,046,666	147,776,953
		22,232,396,304	19,577,704,172	16,121,102,213

Note 14 - Cost of sales and services

The components of cost of sales and services for the years ended December 31 consist of:

	Notes	2016	2015	2014
Raw materials used	5	16,546,693,596	14,599,534,209	12,254,788,542
Net change in inventories	5	(484,295,372)	(496,192,354)	(137,991,738)
Direct labor	19	74,849,359	78,330,407	67,182,597
Factory overhead				
Contracted services		408,028,789	271,517,990	140,407,423
Depreciation and amortization	9	303,232,235	292,868,076	215,991,203
Utilities		251,371,318	252,436,066	199,489,541
Fuels and oils		199,325,043	218,001,650	180,781,078
Repairs and maintenance		194,466,779	157,543,519	87,313,903
Rental	18.2	172,598,573	147,731,378	135,157,468
Indirect labor		102,932,054	93,965,368	67,394,179
Indirect materials used		38,696,525	38,600,223	17,354,036
Supplies		24,380,702	30,756,082	14,400,759
Other direct costs		324,849,326	269,013,949	225,332,783
Cost of sales		18,157,128,927	15,954,106,563	13,467,601,774
Employee costs	19	9,036,074	6,414,549	29,221,432
Rental	18.2	5,164,632	2,802,348	15,461,794
Depreciation and amortization	9	3,768,957	2,823,961	8,539,068
Contracted services		2,804,411	1,793,117	9,322,557
Repairs and maintenance		1,610,739	1,234,002	6,010,062
Supplies		785,949	500,479	2,803,060
Utilities		624,497	915,192	2,672,537
Delivery charges		599,236	466,081	2,186,324
Fuels and oils		266,491	313,366	2,149,339
Taxes and licenses		172,998	385,842	1,392,846
Others		1,475,829	882,084	2,760,570
Cost of services		26,309,813	18,531,022	82,519,588
		18,183,438,740	15,972,637,585	13,550,121,362

Other direct costs include depreciation and amortization expense for the year ended December 31, 2016 amounting to P43,343,003 (2015 - P41,992,130; 2014 - P19,604,067) (Note 9).

Note 15 - Selling and marketing expenses

The components of selling and marketing expenses for the years ended December 31 consist of:

	Note	2016	2015	2014
Delivery charges		342,062,436	290,230,774	259,470,530
Employee costs	19	115,019,983	101,508,701	83,490,486
Contracted services		35,148,461	28,605,188	23,686,638
Representation expenses		34,707,935	32,812,079	23,887,450
Transportation and travel		31,258,489	27,516,454	17,044,851
Advertising and promotion		4,871,512	5,204,578	5,577,631
Others		477,272	243,280	46,808
		563,546,088	486,121,054	413,204,394

Note 16 - General and administrative expenses

The components of general and administrative expenses for the years ended December 31 consist of:

	Notes	2016	2015	2014
Taxes and licenses		134,379,909	158,578,519	64,538,731
Professional fees		32,743,013	6,534,934	5,436,807
Donations and contributions		23,766,896	21,410,560	14,883,444
Contracted services		17,813,082	39,598,694	16,678,565
Bank charges		11,555,602	10,552,181	9,565,591
Utilities		11,472,124	8,332,741	8,497,764
Supplies		8,937,853	7,933,665	5,640,557
Provision for impairment of receivables	4	6,943,006	3,601,001	16,514,490
Membership dues		5,286,320	4,118,071	3,519,962
Depreciation and amortization	9	4,566,490	5,056,694	5,421,245
Repairs and maintenance		1,978,539	248,087	-
Rentals	18.2	1,480,222	1,480,222	1,184,708
Loss on direct write-off of receivables	4	1,434,877	369,073	120,181
Miscellaneous		5,896,467	12,480,474	5,965,848
		268,254,400	280,294,916	157,967,893

For the year ended December 31, 2015, taxes and licenses include one-time costs on tax and filing fees on Parent Company's increase in authorized capital stock (Note 12.1) amounting to P46,137,655.

Note 17 - Other income, net

The components of other income (expenses), net for the years ended December 31 consist of:

	Notes	2016	2015	2014
Foreign exchange gain (loss), net	21	68,531,660	11,312,058	(4,467,397)
Freight income	18	7,972,478	10,683,555	18,420,791
Interest income	3,24.20	5,313,789	3,719,965	16,430,130
Gain (loss) on disposal of property, plant and equipment	9	1,005,422	83,172,348	(111,122)
Rental income	18	142,010	369,625	767,228
Dividend income		53,646	151,988	311,077
Miscellaneous		1,634,270	7,267,719	3,949,680
		<u>84,653,275</u>	<u>116,677,258</u>	<u>35,300,387</u>

Foreign exchange gain in 2016 mainly pertains to USD-denominated loan which was settled in 2016.

Miscellaneous income pertains to laboratory and calibration services provided to customers.

Note 18 - Related party transactions and balances

The Group, in the ordinary course of business, has transactions with related parties. Significant related party transactions and related balances include the following:

For the years ended December 31:

	Transactions			Due from related parties		Terms and conditions
	2016	2015	2014	2016	2015	
<i>(a) Management service fees</i>						The fee for technical and logistics support services ranges from 2% to 3% of net receipts from operations, excluding intercompany sales, and those for administrative and executive management support services ranges from 3.5% to 7% of gross income from operations. These receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due on demand but not later than 12 months from reporting date.
Entities under common control	27,801,610	21,542,003	19,158,509	-	2,198,431	
Immediate Parent Company	9,921,478	8,504,663	10,109,656	-	757,651	
Associates	-	-	118,508,788	-	-	
	37,723,088	30,046,666	147,776,953	-	2,956,082	
<i>(b) Sale of goods and services</i>						Sale of goods and services are negotiated with related parties on a cost-plus basis. These receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash net amount, due on demand but not later than 12 months from reporting date.
Entities under common control	749,100,229	373,276,918	243,887,621	78,648,157	74,139,360	
Immediate Parent Company	40,542,336	9,080	-	48,602	-	
Associate	-	-	155,639,416	-	-	
	789,642,565	373,285,998	399,527,037	78,696,759	74,139,360	
<i>(c) Rental income</i>						Lease rental are based on contracts mutually agreed by the parties. These receivables are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due on demand but not later than 12 months from reporting date.
Entity under common control	142,010	369,625	767,228	-	52,196	
<i>(d) Sale of property, plant and equipment</i>						Sold property for cash in accordance with agreed sales agreement and were fully collected in 2015 (Note 9).
Entity under common control	-	325,000,000	-	-	-	

	Transactions			Due from related parties		Terms and conditions
	2016	2015	2014	2016	2015	
(e) <i>Advances to:</i>						Advances are obtained for working capital purposes. These advances are unsecured, unguaranteed, non-interest bearing, collectible in cash at net amount, due on demand but not later than 12 months from reporting date.
Entities under common control	4,134,691	-	10,959,987	6,824,296	7,744,600	
Immediate Parent Company	-	-	-	-	38,361,236	
	4,134,691	-	10,959,987	6,824,296	46,105,836	
				85,521,055	123,253,474	
	Transactions			Due to related parties		Terms and conditions
	2016	2015	2014	2016	2015	
(f) <i>Rental expenses</i>						Lease rental are based on contracts mutually agreed by the parties. These payables are unsecured, unguaranteed, non-interest bearing, settled in cash at net amount, due on demand but not later than 12 months from reporting date.
Entities under common control	(105,857,149)	(190,825,208)	(179,859,509)	(21,617,241)	(2,367,840)	
Associate	-	-	(5,531,722)	-	-	
	(105,857,149)	(190,825,208)	(185,391,231)	(21,617,241)	(2,367,840)	
(g) <i>Purchase of goods</i>						Purchases of goods are negotiated with related parties on a cost-plus basis. These payables are unsecured, unguaranteed, non-interest bearing, settled in cash at net amount, due on demand but not later than 12 months from reporting date.
Entities under common control	(134,363,677)	(44,751,667)	(6,051,279)	(5,473,630)	(11,924,383)	
Immediate Parent Company	(48,002,303)	-	-	-	(9,482)	
Associate	-	-	(36,491,805)	-	-	
	(182,365,980)	(44,751,667)	(42,543,084)	(5,473,630)	(11,933,865)	
(h) <i>Purchase of CTI shares</i>						Purchase of shares following the tender offer made by the Parent Company over the outstanding shares of CTI in 2014 (Note 1.2.1).
Parent Company	-	-	(937,366,180)	-	-	
Entity under common control	-	-	(546,796,938)	-	-	
	-	-	(1,484,163,118)	-	-	
				(27,090,871)	(14,301,705)	

Details of offsetting at December 31 are as follows:

Due from related parties

	Gross amount of recognized financial assets	Gross amount of recognized financial liabilities set off in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
2016	85,521,055	(8,141,085)	77,379,970	-	-	77,379,970
2015	123,253,474	(11,950,540)	111,302,934	-	-	111,302,934

Due to related parties

	Gross amount of recognized financial liabilities	Gross amount of recognized financial assets set off in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Cash collateral received	
2016	27,090,871	(8,141,085)	18,949,786	-	-	18,949,786
2015	14,301,705	(11,950,540)	2,351,165	-	-	2,351,165

CTI and CHI were associates until October 6, 2014 and are subsidiaries from October 7, 2014 (Note 1.2.1).

There are no provisions for impairment recognized against due from related parties.

There are no collaterals held or guarantees issued, except as disclosed under surety and corporate guarantee agreements, with respect to related party transactions and balances.

As at December 31, 2016, the Group presented net amount of due from related parties of P77,379,970 (2015 - P111,302,934) and net amount of due to related parties of P18,949,786 (2015 - P2,351,165) in the consolidated statement of financial position as a result of the Group's offsetting agreement with its related parties (Note 23.2.3).

18.1 Management services

The Parent Company has an existing management agreement with its related parties, whereby it provides the following management 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 transport, fleet management, warehousing management, tank farm 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 agreement remains in force, unless terminated by the parties.

18.2 Lease agreements

D&L

D&L has existing cancellable operating lease agreements with LBL Industries, Inc. (LBL), an entity under common control by the Ultimate Parent Company, whereby the Parent Company leases from LBL its factory and warehouse spaces. 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. On July 1, 2012, the lease agreements were renewed for another five years.

CTI

On February 2, 2008, the CTI and CHI have entered into an assignment and assumption agreement whereby CTI assumed and CHI assigned to the latter its cancellable operating lease agreement with LBL covering the lease by CTI of LBL's factory and warehouse spaces. The lease shall be for a period of ten years from June 1, 2007, unless terminated by either party or renewed by mutual agreement of parties.

CHI

CHI has cancellable operating lease agreements with LBL covering its factory and warehouse spaces. The leases are for a period of five years starting July 1, 2007 and were extended until June 30, 2017.

OFI

OFI has existing cancellable operating lease agreements with LBL covering its factory and warehouse spaces. The lease runs for a period of one year and renewable every year thereafter, unless terminated by either party.

OFI also has existing cancellable operating lease agreement with FIC Tankers Corporation (FICT), entity under common control, for the use of the latter's storage tanks. The agreement remains in force unless terminated by the parties.

API

API has an existing various cancellable operating lease agreements with LBL, whereby API leases certain factory and warehouse spaces. The lease runs for a period of five years starting May 1, 2007 up to April 30, 2012 and subject to an escalation of five percent annually and cumulatively starting on the second year of the lease term. The lease agreement was subsequently renewed for another five years with no significant changes to the previous agreement.

FIC

In 2016, FIC entered into an operating lease agreement with LBL Land Corporation for its plant and warehouse in Quezon City. The term of the lease agreements commences on January 1, 2016, subject to escalation clause of 5% starting in year 2 and every year after. The agreement is for a period of five years, renewable upon mutual agreement with the lessor.

DLPCI

On October 1, 2009, DLPCI entered into a cancellable operating lease agreement with Ecozone Properties, Inc. (EPI), a related party under common control by the Immediate Parent Company, covering the lease of land for the DLPCI's manufacturing warehouse for a period of five years up to October 1, 2014, with renewal options. The lease agreement was subsequently renewed and extended for three months until December 31, 2014 with no significant changes from the previous agreement.

On January 1, 2010, DLPCI entered into another cancellable operating lease agreement with EPI covering the lease of its warehouse for a period of five years up to January 1, 2015, with renewal options.

On January 1, 2015, the two lease agreements above with EPI were renewed for another five years until January 1, 2020 with no significant changes from the previous lease agreements.

Future minimum lease payments from the above lease agreements are as follows:

	2016	2015
Not later than one year	162,317,152	138,009,451
Later than one year but not later than five years	612,073,476	669,927,740
	774,390,628	807,937,191

18.3 Advances

The Group provides cash advances to its related parties, for working capital requirements, which are unsecured, non-interest bearing, due on demand, but not later than twelve months from reporting date.

18.4 Surety agreements

The Parent Company, its subsidiaries (namely, FIC, DLPCI, API, and OFI) and entities under common control (namely, CCPI and FICM) have an existing agreement to provide surety for the obligations and indebtedness incurred or may be incurred by all aforementioned related parties from short term credit accommodation extended by a local bank. As at December 31, 2016, total short term borrowings from the local bank availed by the above related parties amounted to P650 million (2015 - P335 million). As at December 31, 2016 and 2015, the Parent Company and its related parties have not incurred any obligation and indebtedness related to this agreement. Obligations, arising from the above surety agreement if any, will be funded by the above related parties. There is no limitation or allocation for the obligations and indebtedness that may be funded by the above related parties.

The Parent Company, and its subsidiaries (namely, FIC, DLPCI, API, and OFI) and entities under common control (namely, CCPI and FICM) provide surety for the obligations or indebtedness incurred or may be incurred by all aforementioned related parties from short term credit accommodation extended by a local bank. As at December 31, 2016, total short term borrowings from the local bank availed by the above related parties amounted to P220 million (2015 - P100 million). As at December 31, 2016 and 2015, the Parent Company and its related parties have not incurred any obligations or indebtedness arising from default in the above borrowings covered by surety agreement. Obligations, arising from the above surety agreement if any, will be funded by the above related parties. There is no limitation or allocation for the obligations and indebtedness that may be funded by the above related parties.

18.5 Corporate guarantee agreement

The Parent Company, its subsidiaries (namely, FIC, DLPCI, API, and OFI) and entity under common control (namely, FICM), entered into a continuing corporate guarantee with a foreign bank whereby related parties will provide for the obligations and indebtedness incurred or may be incurred by all aforementioned related parties from short term credit accommodation extended by the foreign bank. As at December 31, 2016, total short term borrowings from foreign banks of the above related parties amounted to P1,550 million (2015 - P78 million). As at December 31, 2016 and 2015, the Parent Company and its related parties have not incurred any obligation or indebtedness relating to this agreement. Obligations, arising from the above corporate guarantee, if any, will be funded by the above related parties. There is no limitation or allocation for the obligations and indebtedness that may be funded by the above related parties.

18.6 Key management compensation

Key management compensation for the years ended December 31 consist of:

	Terms	2016	2015	2014
Salaries and wages	Key management compensation covering salaries and wages and other short term benefits are determined based on contract of employment and payable in accordance with the Company's payroll period. These were fully paid at reporting date.	91,936,237	80,690,704	70,190,261
Other short term employee benefits		11,576,932	10,945,893	9,574,244
Retirement benefits	Retirement benefits are determined and payable in accordance with policies disclosed in Notes 19 and 24.22.	13,736,845	14,192,656	10,101,060
		117,250,014	105,829,253	89,865,565

The Group has not provided share-based payments, termination benefits or other long term benefits, other than the retirement benefits, to its key management employees for the years ended December 31, 2016, 2015 and 2014.

As at December 31, 2016, advances to officers amounting to P4,137,606 (2015 - P7,612,807) represent loans granted to officers and employees (Note 4). As at December 31, 2016 advances from officers amounting to P343,875 (2015 - P1,283,542) represent reimbursement of employees related to transportation and other expenses (Note 10). These are unsecured and non-interest bearing advances, subject to liquidation and/or collectible through salary deduction, and expected to be settled in cash within the next twelve months from reporting date.

Other related party transactions for the years ended December 31 also include contributions to, and investment in shares of stock of the Parent Company by the retirement fund (Note 19).

	Note	2016	2015	2014
Investment in shares of stock of the Parent Company as at December 31	19	245,235,033	82,350,000	112,621,600
Retirement fund contribution during the year	19	15,613,234	16,094,928	17,790,556

Note 19 - Retirement benefit asset

The Group maintains a non-contributory defined benefit retirement plan for the benefit of its regular employees. The normal retirement age is 60. Normal retirement benefit is equal to three-fourth month salary as of date of retirement multiplied by retiree's years of service. Three-fourth month salary is equivalent to 22.5 days basic salary, cash equivalent of 5 day vacation leaves, and one-twelfth (1/12) of the 13th month pay. Actuarial valuation is performed by an independent actuary on an annual basis.

The Group has plan assets, a group-administered fund, under the D&L Employees' Retirement Plan (the "Group Retirement Plan") that share risks between various entities under common control. Plan assets are held by trustee banks, governed by local regulations and practices and approved by the management of the Parent Company.

Net defined benefit cost and contributions are allocated to the participating entities in the retirement plan on the basis of retirement benefit expense and obligation attributable to each of the participating entities.

The amounts recognized in the consolidated statements of financial position as at December 31 are determined as follows:

	2016	2015
Fair value of plan assets	365,155,921	332,679,362
Present value of funded obligation	(253,690,183)	(238,726,886)
Retirement benefit asset	111,465,738	93,952,476
Asset ceiling adjustment	-	-
Assets in the consolidated statement of financial position	111,465,738	93,952,476

The movements in the defined benefit obligation for the years ended December 31 are as follows:

	2016	2015
Beginning of year	238,726,886	257,256,646
Current service cost	20,803,312	21,705,742
Interest cost	12,104,275	11,703,872
Benefits paid	(14,552,433)	(31,009,835)
Remeasurement gain	(3,391,857)	(20,929,539)
End of year	253,690,183	238,726,886

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2016	2015
Beginning of the year	332,679,362	313,213,486
Interest income	16,795,154	14,191,616
Contributions	15,613,234	16,094,928
Benefits paid	(14,552,433)	(31,009,835)
Remeasurement gain	14,620,604	20,189,167
End of the year	365,155,921	332,679,362

The amounts recognized in profit or loss for the years ended December 31 are as follows:

	2016	2015	2014
Current service cost	20,803,312	21,705,742	17,064,115
Net interest (income) cost	(4,690,879)	(2,487,744)	1,779,511
Retirement benefit expense	16,112,433	19,217,998	18,843,626

Retirement benefit expenses is included as part of employee costs as follows:

	2016	2015	2014
Cost of sales	15,385,319	18,316,806	17,971,332
Cost of services	22,293	21,275	110,115
Selling and marketing expenses	484,616	562,670	573,582
General and administrative expenses	220,205	317,247	188,597
	16,112,433	19,217,998	18,843,626

The amounts recognized in other comprehensive income for the years ended December 31 are as follows:

	2016	2015	2014
On defined benefit obligation due to change in financial assumption	2,130,343	12,593,514	7,990,828
On defined benefit obligation due to experience adjustment	1,261,514	8,336,025	4,405,375
On plan assets due to experience adjustment	14,620,604	20,189,167	86,149,825
Remeasurement gain	18,012,461	41,118,706	98,546,028
Deferred tax expense	(3,531,416)	(13,128,598)	(14,656,231)
Remeasurement gain, net of tax	14,481,045	27,990,108	83,889,797

The movements in the retirement benefit asset recognized in the consolidated statements of financial position as at December 31 are as follows:

	2016	2015
Beginning of year	93,952,476	55,956,840
Retirement benefit expense recorded in profit or loss	(16,112,433)	(19,217,998)
Remeasurement gain recognized in other comprehensive income	18,012,461	41,118,706
Contributions paid	15,613,234	16,094,928
End of year	111,465,738	93,952,476

As at December 31, 2016, the Group has an allocated fund of P365,155,921 (2015 - P332,679,362) in the Retirement plan based on the fund balance report of the trustee banks (using the Company's percentage of equity over the total plan assets under the Retirement plan).

The Group Retirement Plan has net investments as at December 31 consisting of the following:

	2016		2015	
	Amount	Percentage	Amount	Percentage
Listed stocks	263,581,109	67.16%	255,201,770	71.78%
Treasury bonds and notes	82,879,848	21.12%	26,418,763	7.43%
Mutual funds	17,686,067	4.51%	59,090,479	16.62%
Unit investment trust funds	14,657,767	3.73%	11,902,861	3.35%
Other receivables	14,525,679	3.70%	768,859	0.22%
Cash	27,591	0.01%	3,903,398	1.09%
Other payables	(884,762)	(0.23%)	(1,750,446)	(0.49%)
	392,473,299	100.00%	355,535,684	100.00%

The defined benefit plan typically exposes the participating entities to a number of risks such as investment risk and interest rate risk.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. A decrease in government bond yields will increase the defined benefit obligation although this will be partially offset by an increase in the value of the plan's fixed income holdings.

The participating entities believe that due to the long-term nature of the retirement liability, the mix of debt and equity securities holdings of the plan is an appropriate element of the long-term strategy to manage the plan efficiently. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities, although there are also investments in mutual fund, unit investment trust funds and treasury bonds and notes. The management believes that equities offer the best returns over the long term with an acceptable level of risk.

As at December 31, 2016, listed stocks include shares of stocks of the Parent Company amounting to P245,235,033 representing 0.18% interest in the Parent Company (2015 - P82,350,000; 0.09% interest). The voting rights over these shares are exercised by the trustee bank. The Group Retirement Plan recognized net gains on these investments in listed stocks of the Parent Company for the year ended December 31, 2016 amounted to P81,645,344 (2015 - P34,620,125).

The allocated share of the Group in the Retirement Plan as at December 31 is as follows:

	2016		2015	
	Amount	Percentage	Amount	Percentage
Listed stocks	245,235,033	67.16%	238,797,246	71.78%
Treasury bonds and notes	77,111,150	21.12%	24,718,077	7.43%
Mutual funds	16,455,061	4.51%	55,291,310	16.62%
Unit investment trust funds	13,637,540	3.73%	11,144,759	3.35%
Other receivables	13,514,646	3.70%	731,895	0.22%
Cash	25,671	0.01%	3,626,205	1.09%
Other payables	(823,180)	(0.23%)	(1,630,130)	(0.49%)
	365,155,921	100.00%	332,679,362	100.00%

The principal annual actuarial assumptions used as at December 31 were as follows:

	2016	2015
Discount rate	4.97-5.19%	4.54-5.20%
Future salary increase rat	6.00%	6.00%

As at December 31, 2016, the average life expectancy in years of experience of a pensioner retiring at age 60 is 18 years for both male and female (2015 - 18 years).

Assumptions regarding future mortality experience are set based on advice from published statistics and experience.

As part of its funding policy, the Group follows the recommended contribution to the plan as determined by an independent actuary. The recommended contribution to the plan consists of the annual amortization of the excess fund plus the current service cost for the year. The expected contribution to retirement fund by December 31, 2017 is P17,764,298 (2016 - P15,613,234).

19.1 Critical accounting estimate: actuarial assumptions and sensitivity

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement benefit include the discount rate and future salary increases. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation and related retirement benefit expense.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

The sensitivity of the defined benefit obligation as at December 31 to changes in the significant weighted principal assumptions follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
<i>As at December 31, 2016</i>			
Discount rate	+/-0.50%	(15,213,609)	16,656,997
Future salary increase	+/-0.50%	33,044,336	(28,223,422)
<i>As at December 31, 2015</i>			
Discount rate	+/-0.50%	(14,291,543)	15,648,182
Future salary increase	+/-0.50%	31,019,064	(26,492,753)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the retirement benefit obligation recognized within the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted retirement benefits as at December 31 is as follows:

	Less than a year	1 to 5 years	5 to 10 years	Over 10 years	Total
2016	5,698,274	60,969,009	119,725,812	2,675,832,751	2,862,225,846
2015	12,598,074	63,664,522	94,181,146	2,320,047,626	2,490,491,368

There are no other related party transactions with the retirement fund except for the contributions to, benefits paid and investment in shares in the Parent Company by the retirement fund.

Note 20 - Taxation

Deferred income tax

DIT assets (liabilities), net as at December 31 consist of:

	2016	2015
Fair value adjustment on net assets acquired (Note 1.2.1)	14,604,085	21,906,127
Allowance for inventory obsolescence	3,422,324	2,969,877
Net operating loss carry-over (NOLCO)	1,010,717	-
Accrued rent expense	-	2,147,270
Accrued rent income	-	(3,477)
Fair value adjustment of available-for-sale financial assets	(5,027,987)	(4,526,187)
Unrealized foreign exchange gain	(3,471,015)	(849,075)
Retirement benefit asset	(27,431,828)	(22,700,817)
	<u>(16,893,704)</u>	<u>(1,056,282)</u>

The offset amounts as at December 31 are as follows:

	2016	2015
Deferred tax assets		
Expected to be recovered within 12 months	4,433,041	429,191
Expected to be recovered after 12 months	27,659,380	35,416,984
	<u>32,092,421</u>	<u>35,846,175</u>
Deferred tax liabilities		
Expected to be settled within 12 months	(3,471,015)	(852,551)
Expected to be settled after 12 months	(45,515,110)	(36,049,906)
	<u>(48,986,125)</u>	<u>(36,902,457)</u>
	<u>(16,893,704)</u>	<u>(1,056,282)</u>

The movements in the DIT liabilities, net for the years ended December 31 are as follows:

	2016	2015
Beginning of year	(1,056,282)	(616,565)
Credited (charged) to profit or loss	(11,804,203)	5,903,239
Charged to other comprehensive income	(4,033,219)	(6,342,956)
End of year	<u>(16,893,704)</u>	<u>(1,056,282)</u>

20.1 Critical accounting judgment: recoverability of deferred income tax assets

The Group recognizes deferred income tax assets to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized. Determining the realizability of deferred income tax assets requires the assessment on the availability of taxable profit expected to be generated from the operations against which the deferred income tax assets can be applied.

As at December 31, 2016 and 2015, based on management's assessment and judgment, deferred income tax assets are fully recoverable.

Current income tax

Corporate income tax

In compliance with local tax law, the entities shall pay the greater of minimum corporate income tax (MCIT), which is 2% of gross income as defined under the law, and the normal income tax. Any excess of MCIT over the normal income tax shall be carried forward for the next three (3) consecutive taxable years immediately following the year such MCIT was paid.

The Tax Reform Act of 1997 (the Act) introduced NOLCO as a deduction from taxable income for the three consecutive years immediately following the year such loss was incurred. As at December 31, 2016, NNC recognized NOLCO with details as follow:

Year	Year of expiration	2016	Expired	Utilized	2016
2016	2019	1,010,734	-	-	1,010,734

Realization of the future tax benefit related to these DIT asset is dependent on NNC's ability to generate future taxable income during the periods the temporary differences reverse, and before NOLCO benefit prescribes.

PEZA registered activity

On October 26, 2007, the Philippine Economic Zone Authority (PEZA) approved DLPCI's application for registration to manufacture specialty polymer and colours compound. Under this registration, such activity is entitled to a four-year income tax holiday (ITH) from the start of commercial operations in April 2008. On March 16, 2009, PEZA approved DLPCI's request for the adjustment of the start date of commercial operations to March 1, 2009. As a result, the ITH was extended until February 28, 2013. On September 18, 2012, PEZA approved the extension of DLPCI's ITH to February 28, 2014 on the basis of its Net Foreign Exchange Earnings. On May 16, 2013, PEZA approved DLPCI's request for the grant of pioneer status. As a result, DLPCI was entitled to a six-year ITH until February 28, 2016. Beginning March 1, 2016, the gross income from the foregoing registered activity of DLPCI is subject to 5% tax rate.

On November 16, 2014, PEZA approved DLPCI's application for registration to manufacture new generation, eco-friendly specialty polymer and colour compounds. Under this registration, such activity is entitled to a four-year ITH from the start of commercial operations in November 2014.

BOI registered activity

On March 4, 2011, CTI's registration with the BOI as "new export producer of oleochemical specialties and derivatives" was approved. As a result, the Company's sales generated from oleochemical segment are entitled to ITH for a period of four (4) years. Upon expiration of its ITH in March 2015, CTI pays 10% income tax on income generated from its biodiesel operations. Subsequently, through a legal service letter from Board of Investment dated October 15, 2014, CTI amended its BOI status from non-pioneer to pioneer effectively extending its ITH period from 4 to 6 years until March 2017.

Optional Standard Deduction

On December 20, 2008, Revenue Regulations No. 16-2009 on the Optional Standard Deduction (OSD) was published. The regulation prescribed the rules for the OSD application by corporations in the computation of their final taxable income. For corporations, OSD shall be 40% based on gross income; "cost of sales" and "cost of services" will be allowed to be deducted from gross sales.

Following are the election of the Group on OSD or itemized deduction for each of the three years in the period ending December 31, 2016:

	2016	2015	2014
Parent Company	Itemized	Itemized	OSD
OFI	OSD	OSD	OSD
DLPCI	ITH/Itemized	ITH	ITH
FIC	OSD	OSD	OSD
API	OSD	OSD	OSD
CTI	ITH/Itemized	ITH/Itemized	ITH/Itemized
CHI	OSD	OSD	OSD

A reconciliation of income tax expense computed at the statutory income tax rate to the income tax expense as reflected in the consolidated statement of total comprehensive income for the years ended December 31 is as follows:

	2016					Total
	PEZA registered activity (0%)	PEZA Registered activity (5%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (30%)	
Net profit before tax	171,416,438	304,872,943	315,944,831	325,096,066	2,093,555,603	3,210,885,881
Availment of OSD	-	-	-	-	(332,650,638)	(332,650,638)
Interest income subject to final tax	-	(278,155)	-	(716,550)	(4,319,088)	(5,313,793)
Change in tax rate	-	-	-	-	(2,044,527)	(2,044,527)
Dividend income	-	-	-	-	(53,646)	(53,646)
Non-deductible expenses	-	78,794,092	-	295,580	10,732,083	89,821,755
Gross income of BOI registered activity under ITH	-	-	(315,944,831)	-	-	(315,944,831)
Gross income	171,416,438	383,388,880	-	324,675,096	1,765,219,787	2,644,700,201
Statutory income tax rates	0%	5%	0%	10%	30%	
Income tax expense	-	19,169,444	-	32,467,509	529,565,936	581,202,889

	2015				Total
	PEZA registered activity (0%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (30%)	
Net profit before tax	410,952,435	331,698,616	307,827,660	1,746,742,233	2,797,220,944
Availment of OSD	-	-	-	(137,118,069)	(137,118,069)
Interest income subject to final tax	(358,074)	-	(483,770)	(2,878,121)	(3,719,965)
Change in tax rate	-	-	-	(5,805,028)	(5,805,028)
Dividend income	-	-	-	(151,988)	(151,988)
Non-deductible expenses	-	-	199,560	6,626,923	6,826,483
Gross income of BOI registered activity under ITH	-	(331,698,616)	-	-	(331,698,616)
Non-deductible expenses under the PEZA rules	69,158,993	-	-	-	69,158,993
Gross income	479,753,354	-	307,543,450	1,607,415,950	2,394,712,754
Statutory income tax rates	0%	0%	10%	30%	
Income tax expense	-	-	30,754,345	482,224,785	512,979,130

	2014				Total
	PEZA registered activity (0%)	BOI registered activity (0%)	BOI registered activity (10%)	Regular tax rate (30%)	
Net profit before tax	442,446,639	36,384,650	57,164,071	2,561,067,482	3,097,062,842
Availment of OSD	-	-	-	(215,789,189)	(215,789,189)
Share in net income of associate	-	-	-	(146,859,417)	(146,859,417)
Gain on revaluation of previously held interest in an associate	-	-	-	(960,463,563)	(960,463,563)
Interest income subject to final tax	(376,467)	-	-	(4,743,637)	(5,120,104)
Change in tax rate	-	-	-	5,214,009	5,214,009
Dividend income	-	-	-	(311,077)	(311,077)
Non-deductible expenses	-	-	-	480,206	480,205
Gross income of BOI registered activity under ITH	-	(36,384,650)	-	-	(36,384,650)
Non-deductible expenses under the PEZA rules	75,481,108	-	-	-	75,481,108
Gross income	517,551,280	-	57,164,071	1,238,594,814	1,813,310,165
Statutory income tax rates	0%	0%	10%	30%	
Income tax expense	-	-	5,716,407	371,578,444	377,294,851

Change in tax rate relates to the change in effective rate as a result of the Group's availment of OSD and itemized deductions.

20.2 Critical accounting estimate: provision for income tax

Significant judgment is required in determining the income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognizes liabilities based on careful evaluation of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Group's current and deferred income tax provisions in the period in which such determination is made.

For each of the three years in the period ended December 31, 2016, based on management's assessment and judgment, provision for income tax is considered adequate and reasonable.

Note 21 - Foreign currency denominated monetary assets and liabilities

The Group's foreign currency denominated monetary assets and liabilities as at December 31 consist of:

	2016			2015
	Euro	Singapore Dollar	US Dollar	US Dollar
Cash	509,869	-	14,068,096	6,253,513
Receivables	568,082	9,936	7,605,084	7,186,995
	1,077,951	9,936	21,673,180	13,440,508
Trade payable and other liabilities	-	-	(5,408,720)	(5,254,733)
Borrowings	-	-	-	(13,400,000)
	-	-	(5,408,720)	(18,654,733)
Net assets (liabilities)	1,077,951	9,936	16,264,460	(5,214,225)
Closing exchange rate	51.94	34.50	49.72	47.06
Philippine Peso equivalent	55,988,775	342,792	808,668,951	(245,381,429)

Foreign exchange gain (loss), net for the years ended December 31 consists of:

	2016	2015	2014
Realized foreign exchange gain (loss)	32,490,011	(6,745,850)	8,802,762
Unrealized foreign exchange gain (loss)	14,146,749	(34,723,714)	(13,366,123)
Foreign exchange gain (loss), net	46,636,760	(41,469,564)	(4,563,361)
Less: Foreign exchange gain (loss) pertaining to borrowings	21,894,900	(52,781,622)	(95,964)
Foreign exchange gain (loss), net presented under other income	68,531,660	11,312,058	(4,467,397)

Note 22 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

22.1 Critical accounting estimates and assumptions

- 22.1.1 *Key assumptions used for value-in-use calculations (Note 1.2.3)*
- 22.1.2 *Allowance for impairment of receivables (Note 4)*
- 22.1.3 *Allowance for inventory obsolescence (Note 5)*
- 22.1.4 *Estimated useful life of property, plant and equipment (Note 9)*
- 22.1.5 *Estimation of retirement benefit obligation (Note 19)*
- 22.1.6 *Income tax expense (Note 20)*

22.2 Critical accounting judgments in applying the Group's accounting policies

- 22.2.1 *Impairment tests for goodwill (Note 1.2.3)*
- 22.2.2 *Determining commercial substance of business acquisition (Note 1.1)*
- 22.2.3 *Allowance for impairment of receivables (Note 4)*
- 22.2.4 *Allowance for inventory obsolescence (Note 5)*
- 22.2.5 *Recoverability of creditable withholding taxes (Note 6)*
- 22.2.6 *Allowance for unrecoverable claim for input value-added tax (VAT) (Note 6)*
- 22.2.7 *Impairment of available-for-sale financial assets (Note 7)*
- 22.2.8 *Impairment of investment in associate (Note 8)*
- 22.2.9 *Impairment of property, plant and equipment (Note 9)*
- 22.2.10 *Recoverability of deferred income tax assets (Note 20)*

Note 23 - Financial risk and capital management

23.1 Financial risk factors

The Group's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Group's overall risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the ManCom (Management Committee).

The most important types of risk the Group manages are: credit risk, market risk and liquidity risk. Market risk includes foreign currency exchange, price and interest risks.

23.2 Components of financial assets and financial liabilities by category

23.2.1 Financial assets

Details of the Group's financial assets as at December 31 are as follows:

	Notes	2016	2015
<i>Loans and receivables</i>			
Cash and cash equivalents	3	2,780,033,609	3,126,096,790
Receivables, gross	4	4,025,378,921	2,983,185,655
Due from related parties	18	77,379,970	111,302,934
Refundable deposits		25,119,742	14,878,560
		6,907,912,242	6,235,463,939
<i>Available-for-sale financial assets</i>	7	112,130,825	107,112,804
		7,020,043,067	6,342,575,743

Receivables are presented gross of allowance for impairment as at December 31, 2016 amounting to P11,901,872 (2015 - P18,079,858) and excludes advances to suppliers amounting to P600,765,893 (2015 - P307,818,075).

As at December 31, 2016 and 2015, refundable deposits amounting to P24,020,118 (2015 - P14,878,560) is presented as part of other non-current assets in the consolidated statement of financial position.

The other components of other current and non-current assets are considered non-financial assets which include deposits to suppliers, input VAT, creditable withholding taxes and prepayments.

The carrying amounts of loans and receivables, except refundable deposits, are assumed to be the same as their fair values (Level 1) due to their short-term nature and the impact of discounting is not considered significant. Available-for-sale financial assets are measured at quoted prices (Level 1).

23.2.2 Financial liabilities

Details of the Group's financial liabilities, categorized as other financial liabilities at amortized cost at December 31 are as follows:

	Notes	2016	2015
Trade payables and other liabilities	10	1,317,065,367	748,316,281
Due to related parties	18	18,949,786	2,351,165
Borrowings	11	4,850,481,200	4,179,039,800
		6,186,496,353	4,929,707,246

Trade payables and other liabilities exclude amounts due to regulatory agencies and advances from customers as at December 31, 2016 amounting to P43,951,810 and P5,482,266 (2015 - P43,894,860 and P3,974,030), respectively (Note 10).

The carrying amounts of other financial liabilities at amortized cost are assumed to be the same as their fair values (Level 1) due to their short-term nature and the impact of discounting is not considered significant. Long-term borrowings approximate its fair value (Level 1) as the borrowing is interest-bearing and measured at amortized cost.

23.2.3 Offsetting financial assets and liabilities

The financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements pertains only to amounts due from / to related parties (Note 18).

23.3 Credit risk

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on receivable from customers, related parties and other counterparties.

The Group's financial assets that are subject to credit risks are shown below:

	Carrying amount	Neither past due nor impaired	Past due but not impaired			Overdue and impaired
			31 - 60 days	61 - 90 days	Over 90 days	
<i>December 31, 2016</i>						
Cash and cash equivalents	2,777,329,661	2,777,329,661	-	-	-	-
Receivables, gross	4,025,378,921	2,937,821,613	612,512,511	198,110,417	265,032,598	11,901,782
Due from related parties	77,379,970	77,379,970	-	-	-	-
Refundable deposits	25,119,742	25,119,742	-	-	-	-
	6,905,208,294	5,817,650,986	612,512,511	198,110,417	265,032,598	11,901,782
<i>December 31, 2015</i>						
Cash and cash equivalents	3,118,153,176	3,118,153,176	-	-	-	-
Receivables, gross	2,983,185,655	1,600,297,416	930,022,610	237,178,854	197,606,917	18,079,858
Due from related parties	111,302,934	111,302,934	-	-	-	-
Refundable deposits	14,878,560	14,878,560	-	-	-	-
	6,227,520,325	4,844,632,086	930,022,610	237,178,854	197,606,917	18,079,858

Cash presented above excludes cash on hand as at December 31, 2016 amounting to P2,703,948 which is not subject to significant credit risk (2015 - P7,943,614) (Note 3).

The maximum exposure to credit risk at the reporting date is equal to the carrying value of financial assets summarized above.

None of the financial assets that are fully performing has been renegotiated in 2016 and 2015.

The Group does not hold any collateral as security to the above financial assets.

23.3.1 Credit quality of the Group's financial assets

(i) Neither past due nor impaired

Cash in banks and short-term investments

Credit risk exposure arising from cash in banks and short-term investments arises from default of the counter party, with a maximum exposure equal to the fair value of financial assets. The Group has policies that limit the amount of credit exposure with financial institutions.

To minimize credit risk exposure, the Group deposits its cash and short-term investments in banks with good credit ratings as at December as follows:

	2016	2015
Universal banks	2,627,849,323	2,932,412,930
Commercial banks	149,422,884	179,998,225
Thrift banks	57,454	5,742,021
	<u>2,777,329,661</u>	<u>3,118,153,176</u>

Receivables

Trade receivables

The Group has prudent credit policies to ensure that sale of its products are made to customers with good credit history. The senior management team, product group heads and the respective sales teams perform monthly reviews of outstanding receivables as part of the regular performance assessment process. All receivables from key customers are monitored for collectibility and actual settlement performance, and action plans are required for any material overdue amounts from all categories of customers.

From time to time management undertakes an evaluation of certain customer accounts for potential provisioning and/or write-off.

Trade receivables from its major customers (existing customers with some defaults in the past but all defaults were fully recovered) at December 31, 2016 amounted to P1,547,933,312 (2015 - P1,093,120,002) comprising 55% (2015 - 68%) of neither past due nor impaired category. The remaining balance comes from a broad base of customers in all of the markets where the Group's business is engaged, where certain defaults were experienced in the past but significant balances have been fully recovered. Management is not expecting significant credit risks on its major customers as well as from its remaining customers as at reporting date.

Advances to officers and employees

This account pertains to mostly to loans and cash advances to officers and employees for expenses used in various official business activities. To address credit risk, these advances are subject to liquidation and/or collectible through salary deduction. Advances to officers and employees are considered to be fully recoverable.

Other receivables

Other receivables comprise mainly of receivables from third parties which are considered collectible on demand. The Group limits its exposure to credit risk by transacting only with counterparties that have appropriate and acceptable credit history. Other receivables are considered to be fully recoverable.

Due from related parties

Due from related parties, arising mainly from transaction on sale of goods and services, are given the right of offset against the outstanding balance of due to related parties as at a particular date. Receivables from related parties under the neither past due nor impaired category have minimal history of default or write off and considered fully performing. The Group is not expecting significant exposure on these balances considering these are transacted with related parties.

Refundable deposits

This account pertains to security deposits on properties leased by the Group. Security deposits are generally refundable at the end of the lease term. Management is not expecting significant credit risk on these deposits.

(ii) Past due but not impaired

Past due but not impaired trade receivables are related to a number of independent customers with whom there is no recent history of default. As at December 31, 2016, past due but not impaired trade receivables amounting to P1,075,655,526 (2015 - P1,364,808,381) are fully recoverable and no allowance for impairment is required on these outstanding balances.

(iii) Overdue and impaired

Overdue and impaired trade receivable relate to transactions arising from sale of goods to customers. The Group establishes an allowance for impairment based on the loss component that relates to significant exposure.

Impaired trade receivables as at December 31, 2016 amounting to P11,901,782 (2015 - P18,079,858) substantially relate to receivables from customers that are in difficult economic situations. Overdue and impaired accounts as at December 31, 2016 and 2015 are fully provided with allowance for impairment (Note 4).

The Group does not hold any collateral as security to the above financial assets.

23.4 Market risk

23.4.1 Foreign currency exchange risk

Foreign exchange risk arises when future commercial transactions and assets and liabilities are denominated in a currency that is not the Parent Company's functional currency.

As at December 31, 2016 and 2015, the Group's financial assets and liabilities denominated in US Dollar, Euro and Singaporean Dollar as presented in Note 21.

The Group manages its foreign currency exchange risk through minimizing foreign currency denominated transactions. Also, the Group maintains sufficient cash in foreign currency to cover its maturing obligations.

A reasonable possible change in foreign currency exchange rate, significantly arising from US Dollar denominated assets (liabilities), as at December 31 would lead to the following pre-tax profit and equity movements:

	2016	2015
Net foreign currency denominated monetary assets (liabilities)	865,000,518	(245,381,429)
Reasonable possible changes in exchange rates	+/- 1.25%	+/- 1.25%
Effect on consolidated pre-tax profit for the year and equity	+/- 10,812,506	-/+ (3,067,268)

The reasonable possible change in foreign exchange rate used in the sensitivity analysis is the rate of change in various foreign currencies using the Peso equivalent at reporting date and thirty (30) days from reporting date, by which management is expected to receive or settle the Group's most significant financial assets or liabilities, respectively.

23.4.2 Price risk

The Group is exposed to price risk in relation to its available-for-sale financial assets. Components of equity would increase or decrease as a result of gains or losses on these financial assets classified as available-for-sale. Management monitors such financial assets based on the current market price of the shares. Available-for-sale financial assets are managed on an individual basis and all buy and sell decisions are approved by the ManCom, thereby reducing the Group's exposure to equity price risk at an acceptably low level.

As at December 31, 2016, the impact of 1.00% increase/decrease (2015 - 0.80%) in the bid share price of listed equity securities, with all other variables held constant, would have been an increase/decrease of P1,121,308 in the Group's consolidated pre-tax comprehensive income and equity for the year (2015 - P856,902). The rates used in the above sensitivity analysis takes into account the historical performance of the equity securities in the past 12 months.

23.4.3 Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

Cash flow interest rate risks

The Group's exposure to cash flow interest rate risk pertains to short-term borrowings where the related interests are repriced at periodic intervals based on the prevailing mark-to-market prices, in accordance with the terms of the agreement. The Group's practice is to manage its interest cost by reference to current market rates in borrowings.

At December 31, 2016, if interest rates increased/decreased by 0.51% (2015 - 0.51%; 2014 - 0.48%) from the last repricing date, with all other variables held constant, profit for the year and equity would have been P29,842,431 lower/higher (2015 - P6,510,106; 2014 - P1,645,362) lower/higher, respectively, mainly as a result of higher/lower interest expense, based on variable rates.

The reasonable possible change in interest rate used in the sensitivity analysis is the rate of change between the nominal interest rate at the end of the reporting period and the use of hypothetical interest rate (gross of applicable final tax rate), which is normally equal to the discount rate set by reference to yields on government bonds, determined at the next repricing date or the date by which management is expected to settle the Group's variable interest-bearing borrowings.

The Group's fixed rate borrowings are measured at amortised cost. They are therefore not subject to cash flow interest rate risk as defined in PFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Fair value interest rate risk

Changes in the market interest rates of the Group's financial liabilities with fixed interest rates only affect income if these are measured at their fair value. As such, the Group's financial liabilities with fixed interest rates that are carried at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

23.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility by keeping credit lines available.

On a regular basis, management monitors forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group places cash in excess of immediate requirements in banks.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities based on contractual undiscounted payments:

	Due and demandable	Less than 3 months	Between 3 to 6 months	Between 7 to 12 months	Over 12 months	Total
<i>December 31, 2016</i>						
Trade payables and other liabilities	1,050,797,404	266,267,963	-	-	-	1,317,065,367
Due to related parties	18,949,786	-	-	-	-	18,949,786
Borrowings and future interest payments	-	3,813,449,390	-	20,000,000	1,166,777,777	5,000,227,167
	<u>1,069,747,190</u>	<u>4,079,717,353</u>	<u>-</u>	<u>20,000,000</u>	<u>1,166,777,777</u>	<u>6,336,242,320</u>
<i>December 31, 2015</i>						
Trade payables and other liabilities	242,170,859	506,145,422	-	-	-	748,316,281
Due to related parties	2,351,165	-	-	-	-	2,351,165
Borrowings and future interest payments	-	3,181,424,240	-	20,000,000	1,167,111,111	4,368,535,351
	<u>244,522,024</u>	<u>3,687,569,662</u>	<u>-</u>	<u>20,000,000</u>	<u>1,167,111,111</u>	<u>5,119,202,797</u>

At December 31, 2016, borrowings include undiscounted cash flows on interest payable of P149,745,967 (2015 - P189,495,551) until its maturity.

The Parent Company, together with its related parties entered into surety agreements with local banks and a corporate guarantee with a foreign bank. The surety agreements and corporate guarantee are considered off-balance sheet items payable in less than 3 months (Note 18).

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

The Group believes that cash generated from its operating activities and current assets are sufficient to meet maturing obligations required to operate the business. The Group would also be able to meet unexpected cash outflows by accessing additional funding sources from local banks and related parties.

The Group expects to settle the above financial obligations in accordance with their maturity date.

23.6 Capital management

The Group's objective when managing capital is to generate the maximum possible returns for its shareholders while taking on a manageable degree of risk ensuring that the Group will continue to operate as a going concern into the foreseeable future.

In order to maintain or adjust the capital structure, the Group reviews its capital structure from time to time to assess the proper financing mix necessary to grow and sustain its operations. As a matter of policy, capital expenditures have been financed from internally-generated cash flow while working capital requirements will be augmented by short-term bank borrowings from time to time.

Earnings in excess of dividend distribution to shareholders have been continuously redeployed and reinvested in the growth of the Group's business. Each instance of expansion of manufacturing capacity and entry into new products and markets undergo a thorough evaluation process to ensure that such investments and marketing programs are in consonance with the Group's core competencies and would be enhancing, rather than diminishing, shareholder value in the long run.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE has required a minimum percentage of ten percent (10%) of the listed companies' issued and outstanding shares, exclusive of any treasury shares, to be held by the public. The Parent Company is compliant with respect to this requirement.

As at December 31, 2016 and 2015, total capital is equal to total equity (less reserves) as shown in the consolidated statement of financial position.

	2016	2015
Total equity	13,967,256,818	12,750,148,159
Reserves	(204,430,479)	(185,446,863)
	13,762,826,339	12,564,701,296

There are no changes to the Group's capital management policies as at December 31, 2016 and 2015.

Note 24 - Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

24.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets and retirement benefit plan where plan assets are measured at fair value.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 22.

Changes in accounting policy and disclosures

24.1.1 Amended standards adopted by the Group

The following relevant and applicable standards have been adopted by the Group effective January 1, 2016:

- *Amendments to PAS 1 'Presentation of financial statements' (effective January 1, 2016)*. These amendments clarify guidance in PAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the International Accounting Standards Board's (IASB) Disclosure Initiative, which explores how financial statement disclosures can be improved. The adoption of this amendment did not affect the current presentation of the Group's consolidated financial statements.

Other amendments to PFRS adopted by the Group did not have any impact on the consolidated financial statements.

24.1.2 New standards, amendments and interpretations not yet effective and not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods after January 1, 2017, and have not been applied in preparing these financial statements. The relevant and applicable standards affecting the consolidated financial statements of the Group, are set out below:

- *PFRS 9 'Financial Instruments' (effective January 1, 2018)*. PFRS 9 deals with the classification, measurement and impairment of financial instruments, as well as hedge accounting.

PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39 'Financial Instruments: Recognition and Measurement' with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. Classification under PFRS 9 is driven by the entity's business model for managing the financial assets and whether the contractual characteristics of the financial assets represent solely payments of principal and interest. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI.

The impairment rules of PFRS 9 introduce an expected credit losses model that replaces the incurred loss impairment model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

The Group's initial assessment of the potential impact of PFRS 9 is that it is not significant considering that its financial assets and liabilities are substantially measured at amortized cost. The Group will update its assessment upon adoption of this new standard.

- *PFRS 15, 'Revenue from Contracts with Customers' (effective January 1, 2018)*. This standard replaces PAS 18 'Revenue' and PAS 11 'Construction contracts' and related interpretations. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so that the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. Entities will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted.

The Group is assessing the impact of PFRS 15. Based on its initial assessment, management does not expect a significant impact on its consolidated financial statements as a result of the adoption of this standard in light that its revenue recognition policy is considered straight forward and already complies with this new standard.

- *PFRS 16, 'Leases' (effective January 1, 2018)*. This standard replaces PAS 17 'Leases'. PFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts) has been updated, lessors will also be affected by the new standard.

Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

PFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted, but only in conjunction with PFRS 15, 'Revenue from Contracts with Customers'. In order to facilitate transition, entities can choose a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application; furthermore, the 'simplified approach' does not require a restatement of comparatives. In addition, as a practical expedient entities are not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are "grandfathered").

At this stage, it is likely that the Group will record a 'right-of-use asset' upon adoption of this standard. Management is in the process of calculating the potential impact and will review appropriate discount rate in preparation for the adoption of this standard.

There are no other applicable and relevant standards, amendments and interpretations, which are issued and effective January 1, 2017 and onwards that have or are expected to have a significant impact on the Group's consolidated financial statements during and at the end of reporting period.

24.2 Financial assets

24.2.1 Classification and presentation

The Group classifies its financial assets in the following categories: (a) loans and receivables, (b) at fair value through profit or loss, (c) held-to-maturity and (d) available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group did not hold financial assets under categories (b) and (c) above during and at the end of each reporting period.

Loans and receivables

The Group's financial assets categorized as loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets.

The Group's loans and receivables consist mainly of cash and cash equivalents, receivables, due from related parties, loans receivable and refundable deposits presented under other non-current assets in the consolidated statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that is either designated in this category or not classified in any of the other categories. It is included in non-current assets unless management intends to dispose of the investment within twelve months from the reporting date.

The Group's available-for-sale financial assets consist of investment in equity securities of listed entities in the Philippines including investment in golf club shares for use by the Group's officers (Note 7).

24.2.2 Initial recognition and measurement

The Group recognizes a financial asset in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Loans and receivables are initially recognized at invoice amount which approximates fair value plus transaction costs. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less allowance for impairment.

Available for sale financial assets

Regular purchases of available for sale financial assets are initially recognized at fair value plus transaction cost, at the trade date. These financial assets are subsequently carried at fair value, except where fair value cannot be reliably measured, in which case such is measured at cost. Unrealized gains and losses arising from changes in the fair value of assets classified as available-for-sale financial assets are recognized in other comprehensive income. For available-for-sale financial assets carried at cost, if a reliable measure of fair value becomes available, it is measured at fair value and the difference between its carrying amount and fair value is recognized in other comprehensive income. Dividends on available-for-sale financial assets are recognized in profit or loss when the Group's right to receive such dividends is established.

24.2.3 Derecognition

Loans and receivables and available-for-sale financial assets are derecognized when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership to the financial assets.

24.2.4 Impairment

Loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the customer or other third party considered as obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the customer or other third party considered as obligor will enter bankruptcy or other financial reorganization; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of customers or other third parties considered as obligors in the portfolio and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the provision for impairment of receivables in profit or loss within selling and marketing expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized within profit or loss.

Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited within profit or loss.

Available for sale financial assets

In the case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 'significant' decline in fair value as 20% or more, and 'prolonged' decline in fair value as more than twelve months.

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income (within fair value adjustment on available-for-sale financial assets, net of tax) is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed.

24.3 Financial liabilities

24.3.1 Classification and presentation

The Group classifies its financial liabilities in the following categories: (a) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (b) other liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Group did not hold financial liabilities at fair value through profit or loss during and at the end of each reporting period.

Other liabilities at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. They are included in current liabilities, except for maturities more than twelve months after reporting date which are classified as non-current liabilities.

The Group's on-balance sheet financial liabilities at amortized cost consist mainly of trade payables and other liabilities (excluding payables to government agencies for value-added tax, withholding and other taxes), due to related parties and borrowings.

The Group's off-balance sheet items include surety and corporate guarantee agreement (Note 18).

24.3.2 Initial recognition and subsequent measurement

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial liabilities at amortized cost are initially measured at invoice amount, which approximates fair value plus transaction costs. Subsequently, these are measured at amortized cost using the effective interest method. Interest expense on financial liabilities is recognized within finance cost, at gross amount, in profit or loss.

24.3.3 Derecognition

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged or cancelled or when the obligation expires.

24.4 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial instruments that are traded in active market is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group's available-for-sale financial assets with quoted market price are valued using Level 1 of the fair value hierarchy and those with unquoted market price are carried at cost.

The carrying value of the Group's other financial assets and liabilities disclosed in Notes 23.2.1 and 23.2.2 approximate their fair value at reporting date considering that these financial assets and liabilities generally have short term maturities and the impact of discounting is not significant.

For non-financial assets, the Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the Group will not fulfill an obligation.

24.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

24.6 Consolidation

24.6.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

Accounting policies and reporting period of its subsidiaries are consistent with the policies adopted by and the reporting period of the Parent Company.

24.6.2 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investment in associate is accounted for using the equity method in the consolidated financial statements. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss, and other comprehensive income or loss of the investee after the date of acquisition. The Group identifies and monitors goodwill (if any) upon acquisition and initial recognition of an investment in associate.

The Group's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investment in associates are recognized in profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share in profit (loss) of associate' in profit or loss.

The accounting policies of the associate are consistent with the policies adopted by the Parent Company.

24.6.3 Business combination (including common control business combination)

The Group applies the purchase or acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss in the consolidated statement of total comprehensive income.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified at equity is not re-measured, and its subsequent settlement is not accounted for within equity.

24.6.4 Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred (including the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree) over the fair value of the Group's share of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

24.6.5 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

24.6.6 Transactions with non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals of non-controlling interests result in gains or losses for the Group that are recorded in other income in the consolidated statement of total comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary.

24.6.7 Disposal of subsidiaries and associates

Subsidiary

When the Group ceases to have control, any retained interest in the subsidiary is re-measured to its fair value at the date when control is lost, with the change in carrying amount generally recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Group surrenders control to a related party within the group it ultimately belongs, the difference between the consideration received and the fair value of the subsidiary at divestment date, is recognized as other charges to equity.

Associate

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate. Investment in associates are derecognized when the Group ceases to have control or shareholding over the associate or when the risks and rewards of ownership have been transferred or extinguished.

24.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from date of acquisition. These are measured in the statement of financial position at face or nominal amount. Cash in bank earns interest at the prevailing bank deposit rate.

24.8 Receivables

Trade receivables arising from regular sales with an average credit term of 30 days are recorded at invoice amount, which approximates fair value, less any allowance for impairment.

Other receivables are recognized initially at invoice amount, which approximates fair value, and subsequently measured at amortized cost using effective interest method, less any allowance for impairment.

An individual and collective provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered as indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

When a receivable is uncollectible, it is written off against an allowance account for receivables, if any. Receivables and its related allowance for impairment are written off when the Group has determined that the receivable is uncollectible as they have already exerted all collection efforts, including filing a legal case. Bad debts written off are specifically identified by the Group's marketing department after exhausting all collection efforts (i.e. sending demand letters and legal notice of default to customers), and is approved by the respective product manager and subsequently by the BOD. Write offs represent the release of previously recorded provision from the allowance account and credited to the related receivable account following the Group's assessment that the related receivable will no longer be collected after all collection efforts have been exhausted.

Subsequent recoveries of amounts previously written-off are credited against the provision account in profit or loss. Reversals of previously recorded impairment provision are credited against provision account in profit or loss based on the result of management's update assessments, considering available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivable at reporting date.

Receivables are derecognized when actually collected, written off, the rights to receive cash flows have expired or the Group has transferred substantially all risks and rewards of ownership to the receivables.

24.9 Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). The cost of finished goods inventories is determined on the basis of standard cost which is adjusted at periodic intervals and which approximate actual manufacturing cost determined using the weighted average method. For food ingredients, colorants and plastic additives, and aerosol segments, the cost of raw materials is determined using specific identification. For oleochemicals, resins and powder coatings segment, the cost of raw materials is determined using the weighted average method. Inventories in transit are valued at invoice cost including related importation costs. The cost of inventories excludes borrowing costs. NRV is the estimated selling price in the ordinary course of business, less cost to complete and to sell.

Allowance for inventory losses and obsolescence is provided, when necessary, based on management's review of inventory turnover and projected future production demands, and is recognized in profit or loss. Provision for inventory losses is established for slow moving, and defective inventories based on physical inspection and management evaluation. Inventories and its related allowance account are written off when the Group has determined that the related inventory is already obsolete and damaged. Write offs represent the release of previously recorded provision from the allowance account and credited to the related inventory account following the disposal of the inventories. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded impairment provisions are credited against provision within cost of sales account in profit or loss based on the result of management's update assessment, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Inventories are derecognized when sold or otherwise disposed of.

24.10 Claim for input value added tax (VAT), prepayments and other current assets

24.10.1 Claim for input VAT

Claims for input VAT and prepaid taxes is stated at face value less allowance for impairment, if any. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets.

The Group, on a continuing basis, makes a review of the status of the claim which is designed to identify those that may require provision for impairment. Provision for unrecoverable input VAT and prepaid taxes, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claim.

A provision for unrecoverable input VAT and prepaid taxes is established when there is objective evidence that the Group will not be able to recover the claim. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

Provision for unrecoverable tax credit claim from excess input VAT is recognized at each reporting period in consideration of management's assessment that it has complied with the prescribed regulatory requirements such that the tax credit claim from excess input VAT is filed within the two (2) year prescription period, appropriate supporting documents are available to support the tax credit claim from excess input VAT and likelihood of potential disallowed amounts based on discussions with and correspondences received from local tax authorities. Write-off is recognized upon receipt of a formal notice of disallowance from local tax authorities

Prepayments in the form of unused tax credits are derecognized when there is a legally enforceable right to offset the recognized amounts against income tax due and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Claims for input VAT and prepaid taxes is derecognized when actually collected or disallowed by tax authority.

24.10.2 Prepayments and other current assets

Prepayments are recognized in the consolidated statement of financial position in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and measured at nominal amounts. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. These are derecognized in the consolidated statement of financial position upon delivery of goods or when services have been rendered, through amortization over a certain period of time, and use or consumption.

Other current assets consist substantially of input value-added tax and creditable withholding taxes which are recognized as assets in the period such input value-added tax and income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

Prepayments and other non-financial assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the reporting period in which case, are classified as non-current assets.

These are derecognized from the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

24.11 Property, plant and equipment

Property, plant and equipment is initially measured and recognized at acquisition cost which comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use.

After initial measurement, property, plant and equipment is stated at historical cost less accumulated depreciation, amortization and impairment, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Construction in progress, which represents properties under construction, is stated at cost and depreciated only when the relevant assets are completed and put into operational use. Upon completion, these properties are reclassified to their relevant property, plant and equipment account.

Leasehold improvements are amortized over the estimated useful life of the improvements which is shorter than the lease term, considering the renewal option.

Land is not depreciated. Depreciation on other assets is computed on the straight-line method to allocate the cost of each asset, less its residual value, over its estimated useful life (in years), determined based on the Group's historical information and experience on the use of such assets, as follows:

Building	40
Tools, machinery and equipment	5 to 20
Transportation and delivery equipment	5 to 10
Office furniture and fixtures	5
Leasehold improvements	5

The asset's residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their accumulated depreciation are removed from the disposal accounts.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are credited to profit or loss.

24.12 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land, are not subject to amortization and are tested annually for impairment. Other non-financial assets, mainly property, plant and equipment, and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). Impairment losses, if any, are recognized in profit or loss.

When impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. Reversals of an impairment loss are credited against the provision account in profit or loss.

24.13 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishing provisions where appropriate on the basis of amounts to be paid to tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group re-assesses at each reporting date the need to recognize a previously unrecognized DIT asset, if any.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

24.14 Trade payables and other liabilities

Trade payables and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business with suppliers.

Trade payables and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other liabilities are recognized initially at invoice amount, which approximates fair value, and subsequently measured at amortized cost using effective interest method.

These are derecognized when extinguished or when the obligation is discharged, cancelled or has expired.

24.15 Borrowings and borrowing costs

24.15.1 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowings are derecognized when the obligation is settled, paid or discharged.

24.15.2 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset, if any, are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are recognized and charged to profit or loss in the year in which these are incurred.

24.16 Provisions

Provision are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized in the consolidated statement of financial position.

24.17 Equity

24.17.1 Share capital

Ordinary shares are stated at par value and are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

24.17.2 Additional paid-in capital

Share premium

Any amount received by the Group in excess of par value of its shares is credited to share premium which forms part of the non-distributable reserve of the Group and can be used only for purposes specified under corporate legislation.

Share issuance cost

Share issuance costs incurred for the listing and offering process of the Group are recognized as deduction to share premium in accordance with PIC - Question and Answer (PIC - Q&A) 2011-04.

24.17.3 Retained earnings

Retained earnings pertain to the unrestricted portion of the accumulated profit from operations of the Group which are available for dividend declaration.

24.18 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's BOD.

Recording of stock dividend depends on whether the stock dividend declared is a small stock dividend or a large stock dividend. Stock dividend declared is considered to be small when the shares to be issued are less than 20-25% of the total outstanding shares before the stock dividend, otherwise the stock dividend will be considered large. The amount to be released from retained earnings when a small stock dividend is declared will be equivalent to the fair market value of the shares at the date of declaration. Any excess of the fair market value of the shares against its par value will be recorded as share premium. On the other hand, the amount to be released in retained earnings when a large stock dividend is declared will be equivalent to the par value of the shares being issued.

24.19 Earnings per share

24.19.1 Basic

Basic earnings per share is computed by dividing the profit attributable to the owners of the Parent Company by the weighted average number of shares in issue during the year, excluding ordinary shares purchased by the Parent Company held as treasury shares.

24.19.2 Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares, if any.

The Group has no potentially dilutive ordinary shares. Therefore, the amount reported for basic and diluted earnings per share is the same.

24.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the Group, collectibility of the related receivable is reasonably assured, and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Revenue is recognized as follows:

24.20.1 Sale of goods

Sale of goods are recognized in profit or loss when the Group has delivered the products to the customer and there is no unfulfilled obligation that could affect the acceptance of the products. Delivery does not occur until the products have been shipped to the specific location, the risk of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Sale of goods is shown net of returns, and/or discounts in the consolidated statement of total comprehensive income.

24.20.2 Management service fees

Management service fees from technical, logistics, administrative and executive management service agreements are recognized in profit or loss when the service has been completed and rendered in accordance with the provision of relevant agreements.

24.20.3 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

24.20.4 Interest income

Interest income from cash in banks and short-term investments, which is presented net of final taxes paid or withheld, is recognized in profit or loss on a time-proportion basis using the effective interest method.

24.20.5 Other income

Income from rental, lightering and thruput is recognized in profit or loss when services have been rendered and accepted by the customer in accordance with the relevant agreements.

All other income items are recognized in profit or loss when earned.

24.21 Costs and expenses

Costs and expenses, classified by function, are recorded in profit or loss when incurred.

24.22 Employee benefits

24.22.1 Retirement benefit obligation

The Group has a defined benefit retirement plan in accordance with the local conditions and practices in the Philippines. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability (or asset) recognized in the consolidated statement of financial position is the present value of the defined benefit obligation less fair value of the plan assets at the reporting date. In cases when the amount determined results in an asset, the Group measures the resulting asset at the lower of such amount determined and the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement benefit obligation.

When the Group has a surplus in a defined benefit plan, the Group measures the net defined benefit asset at the lower of the surplus in the defined benefit plan, and the asset ceiling determined using the same discount rate in determining the present value of defined benefit obligations. The amount of the asset recognized should not exceed the aggregate of the present values of any refunds expected from the plan; and any expected reduction in future contributions arising from the surplus.

Plan assets are those that are: (a) held by an entity (a fund) that is legally separate from the Group, (b) available to be used only to pay or fund employee benefits; and (c) not available to the Group's creditors, and cannot be returned to the Group unless: (i) the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the Group; or (ii) the assets are returned to the Group to reimburse for employee benefits advanced by the Group. Plan assets exclude investments in group shares that are not transferrable.

Remeasurement gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (within reserve for remeasurement on retirement benefit) in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

24.22.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

24.22.3 Other short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

24.24 Leases

When the Group enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Group assesses whether the arrangement is, or contains, a lease. The Group does not have such arrangements during and at the end of each reporting period.

24.24.1 The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss over the term of the lease on a straight-line basis.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The Group has no lease that qualifies as finance lease during and at the end of each reporting period.

24.24.2 The Group is the lessor

When assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income is recognized in profit or loss over the term of the lease on a straight-line basis.

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The Group has no lease that qualifies as finance lease during and at the end of each reporting period.

24.25 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM), which is represented by the members of the Management Committee (ManCom), in making collective operating decisions with regards to the business segments. The ManCom, which is responsible for allocating resources and assessing performance of the operating segments, is identified as the one that makes strategic decisions for the Group.

Reportable segments are presented by aggregating operating segments based on similar products and services.

The accounting policies used to recognize and measure the segment's assets, liabilities and profit or loss is consistent with that of the consolidated financial statements.

24.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

24.27 Foreign currency transactions and translation

24.27.1 Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the Group's subsidiaries operate (the "functional currency"). The consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and presentation currency.

24.27.2 Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transaction or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

For income tax purposes, foreign exchange gains or losses are treated as taxable income or deductible expense in the period such are realized/sustained.

24.28 Reclassifications

Certain cost and expense items have been reclassified in order to align the prior year's disclosures with the current year disclosure and to better present the financial performance of the Group. For the years ended December 31, 2015 and 2014, the following items were reclassified:

- direct costs which were recorded within cost of services have been reclassified to 'Other direct costs' within cost of sales; and
- 'Provision for impairment of receivables' and 'Loss on direct write-off of receivables' which were recorded within sales and marketing expenses were reclassified to general and administrative expenses.

These reclassifications did not affect previously reported profit for the year and cash flow statements, nor did it affect previously reported statement of financial position.

24.29 Subsequent events (or events after the reporting date)

Post year-end events that provide additional information about the Group's financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Second Section

<u>Schedules</u>	<u>Supplementary Schedules</u>	<u>Remarks</u>
A	Financial assets	Schedule A
B	Amounts Receivable and Payable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)	Schedule B
C	Amounts Receivable and Payable from Related Parties which are eliminated during the consolidation of financial statements	Schedule C
D	Intangible Assets - Other Assets	Schedule D
E	Long-term Debt	Schedule E
F	Indebtedness to Related Parties	Not Applicable
G	Guarantees of Securities of Other Issuers	Not Applicable
H	Share Capital	Schedule H
I	Schedule of Financial Soundness	Schedule I
Annex 68-C	Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration	Annex 68-C
Annex 68-H	A Map Showing the Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsiidiaries and Associates	Annex 68-H

SCHEDULE A

D&L Industries, Inc. and Subsidiaries

Financial Assets
December 31, 2016

Loans and receivables

Cash and cash equivalents	2,780,033,609
Receivables, gross	4,025,378,921
Due from related parties	77,379,970
Refundable deposits	25,119,742
	6,907,912,242

Available-for-sale financial assets

Name of issuing entity and association of each issue	Number of shares	Amount in PHP shown in the balance sheet	Income earned in PHP
Manila Golf and Country Club	2	78,000,000	-
Ayala Corporation	38,509	34,130,825	53,646
		112,130,825	53,646

SCHEDULE B

D&L Industries, Inc. and Subsidiaries

Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Shareholders (Other than Related Parties)

December 31, 2016

(All amounts in Philippine Pesos)

Name of Related Party	Balance at beginning of period	Additions	Collections/ Payments	Total	Current	Balance at end of period
Due from related parties:						
FIC Marketing, Inc.	59,463,422	301,200,233	(298,959,116)	61,704,539	61,704,539	61,704,539
Local individuals	38,361,236	-	(38,361,236)	-	-	-
LBL Industries, Inc.	16,007,482	-	(16,007,482)	-	-	-
Indo Resources, Inc.	7,744,600	-	(7,744,600)	-	-	-
Palmera Resources, Inc.	757,651	-	(757,651)	-	-	-
Jadel Holdings Co., Inc.	662,812	40,542,336	(41,205,148)	-	-	-
LBL Prime Properties, Inc.	239,553	-	(190,951)	48,602	48,602	48,602
Best Value Factory Outlet Corporation	16,675	38,046,825	(31,890,434)	6,173,066	6,173,066	6,173,066
FIC Tankers Corporation	43	-	(43)	-	-	-
Consumer Care Products, Inc.	-	170,506,952	(155,090,466)	15,416,486	15,416,486	15,416,486
Others	-	2,178,396	-	2,178,396	2,178,396	2,178,396
123,253,474	123,253,474	552,474,742	(590,207,127)	85,521,089	85,521,089	85,521,089

SCHEDULE C

D&L Industries, Inc. and Subsidiaries

Amounts Receivable and Payable from Related Parties which are eliminated
during consolidation of financial statements
December 31, 2016
(All amounts in Philippine Pesos)

Name of Related Party	Balance at beginning of period	Additions	Collections/ Payments	Total	Current	Balance at end of period
Due from related parties:						
First in Colours, Incorporated	8,585,872	73,165,114	(78,361,613)	3,389,373	3,389,373	3,389,373
D&L Polymer and Colours, Inc.	935,898	60,836,195	(56,948,295)	4,823,798	4,823,798	4,823,798
Aero-Pack Industries, Inc.	1,291,541	60,833,908	(44,238,734)	17,886,715	17,886,715	17,886,715
Chemrez, Inc.	7,725,754	30,335,034	(37,988,808)	71,980	71,980	71,980
Oleo-Fats, Incorporated	21,462,883	464,151,940	(326,241,187)	159,373,636	159,373,636	159,373,636
Chemrez Technologies, Inc.	14,281,492	99,903,464	(105,195,287)	8,989,669	8,989,669	8,989,669
	54,283,440	789,225,655	(648,973,924)	194,535,171	194,535,171	194,535,171
Due to related parties:						
First in Colours, Incorporated	810,793	61,509,290	(55,141,935)	7,178,148	7,178,148	7,178,148
D&L Polymer and Colours, Inc.	5,425,632	60,346,894	(47,018,640)	18,753,886	18,753,886	18,753,886
Aero-Pack Industries, Inc.	701,712	18,751,767	(18,025,528)	1,427,951	1,427,951	1,427,951
Chemrez, Inc.	594,065	28,515,272	(21,492,969)	7,616,368	7,616,368	7,616,368
Oleo-Fats, Incorporated	1,040,472	76,640,530	(44,221,267)	33,459,735	33,459,735	33,459,735
Chemrez Technologies, Inc.	4,923,196	129,998,100	(22,147,346)	112,773,950	112,773,950	112,773,950
	13,495,870	375,761,853	(208,047,685)	181,210,038	181,210,038	181,210,038
NET DUE FROM RELATED PARTIES	40,787,570	413,463,802	(440,926,239)	13,325,133	13,325,133	13,325,133

SCHEDULE D

D&L Industries, Inc. and Subsidiaries

Intangible Assets - Other Assets
 December 31, 2016
 (All amounts in Philippine Pesos)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	3,367,846,840	-	-	-	-	3,367,846,840

SCHEDULE E

D&L Industries, Inc. and Subsidiaries

Long-term Debt
 December 31, 2016
 (All amounts in Philippine Peso)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term borrowings" in the consolidated statement of financial position	Amount shown under caption "Long-term borrowings" in the consolidated statement of financial position
Long-term debt from BDO Unibank, Inc.	1,000,000,000	-	1,000,000,000

SCHEDULE H

D&L Industries, Inc. and Subsidiaries

Share Capital
December 31, 2016

Title of Issue	No. of shares authorized	Number of shares issued	Treasury shares	Number of shares outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares issued to		
						Related parties	Directors, officers and employees	Others
Common shares	18,000,000,000	7,142,857,990	-	7,142,857,990	-	4,569,083,776	323,361,214	2,250,413,000

SCHEDULE I

D&L Industries, Inc. and Subsidiaries

Schedule of Financial Soundness Indicator

December 31, 2016

	2016	2015
Current ratio	2.68 : 1	2.94 : 1
Quick ratio	1.40 : 1	1.62 : 1
Debt-to-equity ratio	0.45 : 1	0.39 : 1
Asset-to-equity ratio	1.45 : 1	1.39 : 1

D&L Industries, Inc. and Subsidiaries
 No. 65 Calle Industria
 Bagumbayan, Quezon City, Metro Manila

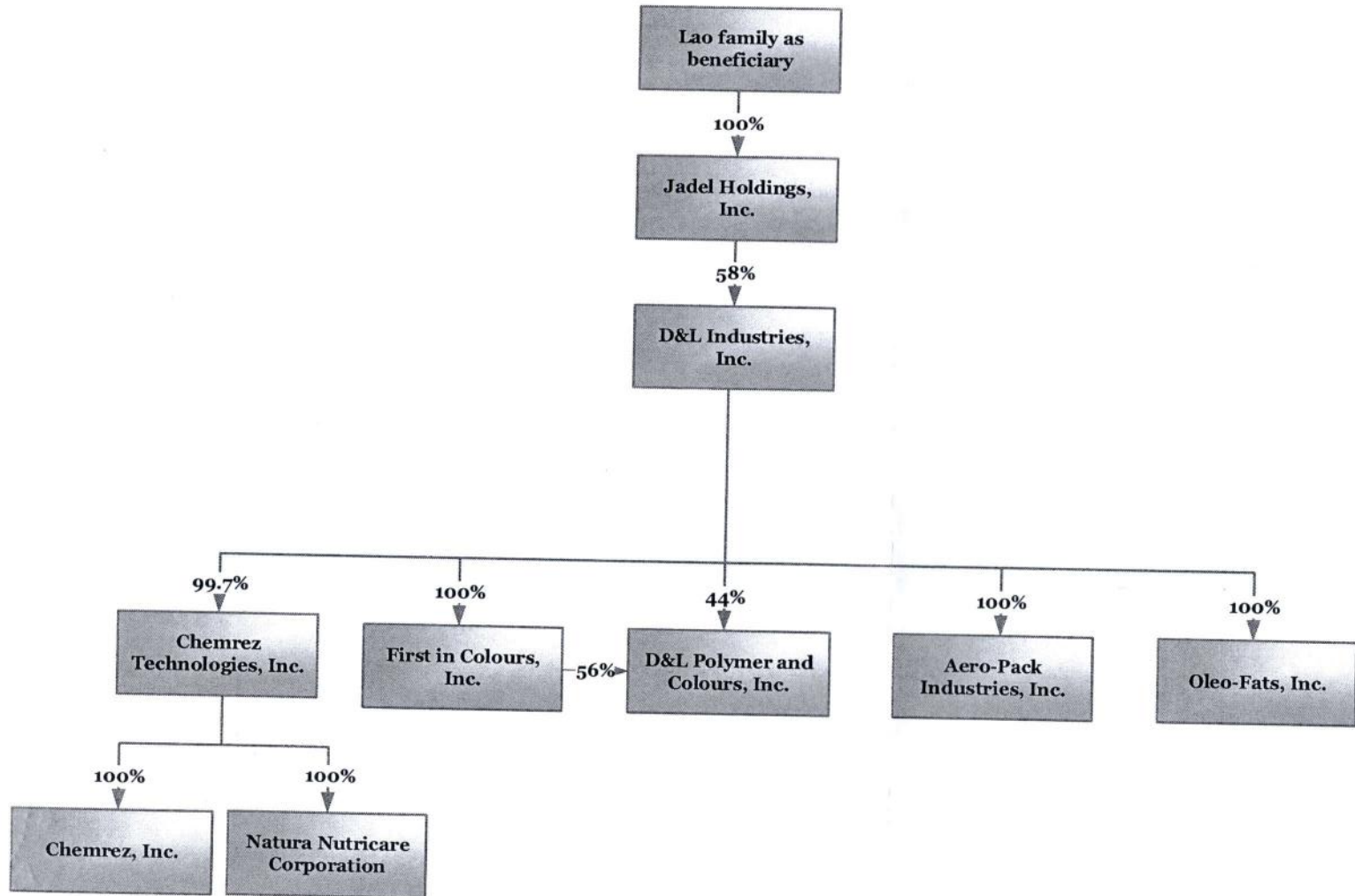
Annex 68-C

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
 For the year ended December 31, 2016
 (All amounts in Philippine Peso)

Unappropriated retained earnings, beginning	17,444,368
Adjustments	-
Unappropriated retained earnings, as adjusted, beginning	17,444,368
Net income based on the face of the Parent's separate audited financial statements	1,506,786,593
Less: Non-actual/unrealized income net of tax	-
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Recognized deferred income tax assets not yet realized	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of available-for sale financial assets (after tax)	-
Net income actual/realized	1,506,786,593
Add: Release of retained earnings appropriation	-
Less: Treasury shares	-
Stock dividends declared during the year	-
Cash dividends declared during the year	(1,428,571,598)
	(1,428,571,598)
Unappropriated Retained Earnings, as adjusted, ending	95,659,363

D&L Industries, Inc. and Subsidiaries

A Map Showing the Relationships between and among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
December 31, 2016



D&L Industries, Inc. and Subsidiaries

**Schedule of Philippine Financial Reporting Standards
Effective as at December 31, 2016**

The following table summarizes the effective standards, amendments and interpretations as at December 31, 2016:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		

		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Transition Disclosures*		✓	
	Amendments to PFRS 7: Disclosures – Hedge Accounting*		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisitions of an Interest in a Joint Operation*		✓	

		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*		✓	
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*		✓	
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Financial Statement Disclosures*		✓	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*		✓	
	Amendments to PAS 16 and PAS 41: Bearer Plants*		✓	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		

(3)

		Adopted	Not Adopted	Not Applicable
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contribution from Employees or Third Parties*		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements*		✓	
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		

(4)

		Adopted	Not Adopted	Not Applicable
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting*		✓	
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*		✓	

(5)

		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓

		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The standards and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2016 financial statements.

The standards and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2016 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

Please refer to Note 24.1.1 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards, amendments and interpretations which are relevant and significant to the Company's financial statements effective for annual periods beginning January 1, 2016 and onwards.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM – ACGR
ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

- A. Three (3) complete set of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year **2015**
2. Exact Name of Registrant as Specified in its Charter **D&L INDUSTRIES, INC.**
3. **65 Industria Street, Bagumbayan, Quezon City** **1110**
Address of Principal Office Postal Code
4. SEC Identification Number **44852** 5.  (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number **000-421-957-000**
7. **(02) 635 0680**
Issuer's Telephone number, including area code
8. **not applicable**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	Seven
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Actual number of Directors for the year	Seven
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(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Cesar B. Bautista	ID	n/a	Leon Lao, Not related	7-2-12	6-8-15, 3	Annual Meeting	3
Filemon T. Berba, Jr.	ID	n/a	Leon Lao, Not related	7-2-12	6-8-15, 3	Annual Meeting	3
Dean L. Lao	NED, Chairman Emeritus	n/a	Leon Lao	1992	6-8-15	Annual Meeting	23
Leon L. Lao	NED, Chairman	n/a	Dean Lao	1992	6-8-15	Annual Meeting	23
Alex L. Lao	ED	n/a	Leon Lao	1992	6-8-15	Annual Meeting	23
Yin Yong L. Lao	ED	n/a	Leon Lao	1992	6-8-15	Annual Meeting	23
John L. Lao	ED	n/a	Leon Lao	1992	6-8-15	Annual Meeting	23

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors (Board) is primarily responsible for the governance of the Company and shall, hence, ensure compliance with the principles of good corporate governance. The Board is likewise committed to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall give minority shareholders the right to propose the holding of meetings and items for discussion in the agenda that relate directly to the business of the Company. They shall be instrumental in removing excessive costs and other administrative impediments to shareholders' meaningful participation in meetings, whether in person or by proxy. Also, the directors shall ensure timely distribution of accurate shareholder information necessary to make informed decisions subject to legal constraints.

- (c) How often does the Board review and approve the vision and mission?

As the Board may deem necessary

- (d) Directorship in Other Companies

- (i) Directorship in the Company's Group²

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of

¹ Reckoned from the election immediately following January 2, 2015.

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Dean L. Lao	Oleo-Fats, Incorporated Aero-Pack Industries, Inc. First in Colours, Incorporated Chemrez Technologies, Inc. Chemrez, Inc.	NED, Chairman NED NED ED, Chairman ED, Chairman
Leon L. Lao	Oleo-Fats, Incorporated Aero-Pack Industries, Inc. First in Colours, Incorporated D&L Polymer and Colours, Inc. Chemrez Technologies, Inc. Chemrez, Inc.	ED NED ED, Chairman ED, Chairman ED ED
Alex L. Lao	Oleo-Fats, Incorporated Aero-Pack Industries, Inc. First in Colours, Incorporated Chemrez, Inc.	NED NED NED NED
Yin Yong L. Lao	Oleo-Fats, Incorporated Aero-Pack Industries, Inc. First in Colours, Incorporated Chemrez Technologies, Inc. Chemrez, Inc.	NED ED NED ED ED
John L. Lao	Oleo-Fats, Incorporated Aero-Pack Industries, Inc. First in Colours, Incorporated D&L Polymer and Colours, Inc. Chemrez Technologies, Inc. Chemrez, Inc.	NED ED, Chairman NED NED ED NED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Cesar B. Bautista	First Philippine Holdings Corporation	ID
Filemon T. Berba, Jr.	EEL Corporation iPeople, inc.	ID ID

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Dean L. Lao	Jadel Holdings Co., Inc.	Chairman of the Board & President
Leon L. Lao	Jadel Holdings Co., Inc.	Director & Treasurer
Alex L. Lao	Jadel Holdings Co., Inc.	Director
Yin Yong L. Lao	Jadel Holdings Co., Inc.	Director & Corp. Secretary
John L. Lao	Jadel Holdings Co., Inc.	Director

- (iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

Yes, policy on multiple board seats is as follows:

"The optimum number of directorships that Directors can hold in other corporations shall be determined according to the capacity of a director to perform his duties diligently in general.

The President and Chief Executive Officer and other executive directors shall submit themselves to a low indicative limit on membership in other corporate Boards. The same low limit shall apply to independent or non-executive directors, who at the same time, serve as full time executives in other corporations. In any case, the capacity of directors to serve with diligence shall not be compromised."

- (e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Cesar B. Bautista	2	-	0.00
Filemon T. Berba, Jr.	200,002	-	0.00
Dean L. Lao	54,610,096	4 / Jadel Holdings Co. Inc. 403,769 / SmartWorks Trading Co., Inc. 51 / LBL Prime Properties, Inc.	0.77
Leon L. Lao	60,608,934	4 / Jadel Holdings Co. Inc. 38,209,826 / Allvee United, Inc. 51 / LBL Prime Properties, Inc.	1.38
Alex L. Lao	65,159,776	4 / Jadel Holdings Co. Inc. 52,808,949 / Jadana, Inc. 51 / LBL Prime Properties, Inc.	1.65
Yin Yong L. Lao	65,987,202	4 / Jadel Holdings Co. Inc. 73,044,725 / CEE Industries, Inc. 51 / LBL Prime Properties, Inc.	1.95
John L. Lao	68,837,202	4 / Jadel Holdings Co. Inc. 507,255 / CEE Industries, Inc. 3,520,597 / Jadana, Inc. 45,425,313 / Prime Spin, Inc. 51 / LBL Prime Properties, Inc.	1.66
TOTAL	315,403,214	213,920,708	7.41

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Leon L. Lao
CEO/President	John L. Lao

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	<i>Preside at the meetings of the directors and stockholders</i>	<i>General charge and supervision of the business of the Corporation</i>
Accountabilities	<i>Ensure that the meetings of the Board are held in accordance with the By-Laws; Supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary; and Maintain qualitative and timely lines of communication and information between the Board and Management.</i>	<i>Formulate and implement group strategies and business plan; Oversee group strategic alignment, governance and operating structure; Supervise, monitor and control group activities, performance and budgets</i>
Deliverables	<i>Provide stockholders with a balanced and comprehensible assessment of the corporation's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business, as well as reports to regulators that are required by law</i>	<i>Quarterly and Annual Reports to stockholders</i>

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

Management uses a performance appraisal tool to assess employee's accomplishment and performance against a set of objectives and performance standards and identify employees with potentials to hold key management positions. Performance review is conducted quarterly and evaluated annually to assess the employee's potentials. An employee who has shown exceptional talent and/or potential to handle higher responsibility will be enrolled in the Career Development Program. This program aims to prepare the candidate to fulfill the duties and responsibilities required by the position projected for him by his immediate supervisor.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Company welcomes diversity of experience and background of directors in the Board. However, the paramount considerations are the person's integrity and probity and practical understanding of the business of the Company and the industry to which it belongs.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes, the qualifications required for election to the Board include previous business experience, membership in good standing in relevant industry, business or professional organizations, and practical understanding of the business of the Company.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	<ul style="list-style-type: none"> ▪ <i>To conduct fair business transactions with the Corporation and ensure that personal interests do not conflict with the Corporation's interests;</i> ▪ <i>To devote time and attention necessary to properly discharge his duties and responsibilities;</i> ▪ <i>To act judiciously;</i> ▪ <i>To exercise independent judgment ;</i> ▪ <i>To have a working knowledge of the statutory and regulatory requirements affecting the Corporation, including the contents of its</i> 		
Accountabilities			
Deliverables			

- | | |
|--|---|
| | <p>Articles of Incorporation and By-Laws, the requirements of the SEC, and where applicable, the requirements of other regulatory agencies; and</p> <ul style="list-style-type: none"> ▪ To observe confidentiality. |
|--|---|

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Company believes that independence means freedom from any business or relationship which could, or could reasonably be perceived to, materially influence, or interfere with the exercise of, independent judgment in carrying out his or her duties and responsibilities. Insofar as independent directors are concerned, the Company adopts the requirements on nomination and election of independent directors found in SRC Rule 38 of the Amended IRR of the SRC. In addition, the Company disqualifies, subject to certain exception, as independent director any person who becomes an officer, employee or consultant of the Company and any person whose beneficial equity ownership in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company adopts the 5-2-5 term-limit for independent directors prescribed by the Securities and Exchange Commission (SEC) in SEC Memorandum Circular No. 9, Series of 2011.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name of Director	Position	Date of Cessation	Reason
<i>Amb. Cesar B. Bautista</i>	<i>Independent Director, Member of the Remuneration Committee and Chairman of Audit Committee</i>	<i>Dec. 9, 2015</i>	<i>Demise</i>

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	<i>The Nomination Committee shall conduct nominations and pre-screen the qualifications of candidates for regular & independent directors. It shall review and evaluate the qualifications of all persons nominated as director, whose names are submitted to the Corporation in accordance with its By-laws. A final list of candidates. A final list of candidates shall be made</i>	<i>In addition to the qualifications provided in the Corporation Code, Securities Regulation Code and other relevant laws, a Director shall also possess the following qualifications:</i> <i>a. At least twenty one (21) years old;</i> <i>b. College graduate or sufficiently experienced in managing the business to substitute for such formal education;</i> <i>c. Practical understanding of the business of the Corporation;</i> <i>d. Membership in good standing in relevant industry, business or professional</i>
(ii) Non-Executive Directors		

	<p>available to the SEC and shareholders through the Information Statement. In the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.</p>	<p>organizations;</p> <p>e. Previous business experience;</p> <p>f. He shall have proven to possess integrity and probity; and</p> <p>g. He shall be assiduous.</p>
(iii) Independent Directors		<p>In addition to the above stated qualifications, independent directors are selected in accordance with the rules provided under SRC Rule 38 of the Amended IRR of the SRC.</p>
b. Re-appointment		
(i) Executive Directors	Same as (a)	
(ii) Non-Executive Directors		
(iii) Independent Directors		
c. Permanent Disqualification		
(i) Executive Directors	<p>In the event that any director during such director's tenure becomes subject to the provided disqualification, the Chairman of the Board upon recommendation of the Nomination Committee, may call a special Board meeting, in which meeting the Board by at least 2/3 vote of its entire membership may declare such director disqualified to continue to act as director of the Corporation.</p>	
(ii) Non-Executive Directors		
(iii) Independent Directors		

		<p>b. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporate Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>c. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>d. Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;</p> <p>e. Any person earlier elected as independent director who becomes an officer, employee or consultant of the Corporation, provided that such person may again be qualified to be elected as an independent director after the lapse of one (1) year from his resignation as officer, employee or</p>
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		<p>consultant of the Corporation;</p> <p>f. Any person judicially declared as insolvent;</p> <p>g. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (a) to (e) above; and</p> <p>h. Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.</p>
d. Temporary Disqualification		
(i) Executive Directors	<p>In the event that any director during such director's tenure becomes subject to the provided disqualification, the Chairman of the Board upon recommendation of the Nomination Committee, may call a special Board meeting, in which meeting the Board by at least 2/3 vote of its entire membership may declare such director disqualified to continue to act as director of the Corporation.</p>	<p>a. Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>b. Absence in more than fifty (50) percent of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.</p> <p>c. Dismissal or termination for cause as director of any public or listed corporation. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p> <p>d. If the beneficial equity ownership of an independent director in the Corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. However, the disqualified independent director may run for election as a regular director provided there is a vacancy in the Board.</p> <p>e. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent, unless otherwise decided by the Board.</p>
(ii) Non-Executive Directors		
(iii) Independent Directors		
e. Removal		
(i) Executive Directors	<p>The Company adopts the procedure provided in Section</p>	<p>A director may be removed from office with or without cause, provided that removal without</p>
(ii) Non-Executive Directors		

(iii) Independent Directors	28 of the Corporation Code.	cause may not be used to deprive minority stockholders the right of representation.
f. Re-instatement		
(i) Executive Directors	Same as (a)	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	As may be decided by the Board	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Cesar B. Bautista	In view of the fact that there are only 7 individuals nominated for the 7 board seats, the 7 nominees were elected to the Board without need of a ballot upon motion duly made and seconded.
Filemon T. Berba, Jr.	
Dean L. Lao	
Leon L. Lao	
Alex L. Lao	
Yin Yong L. Lao	
John L. Lao	

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

New directors are taken on a tour of the Company's business lines, scheduled depending on the availability of the directors.

- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

- *Investor Relations Professionals Association (Singapore) Seminar Series (Nov. 28 – 30, Holiday Inn, Singapore)*
- *Phil Energy & Infrastructure Business Meeting (Sept. 25, 2012, Makati Shangri-La)*
- *Asia Pacific Real Estate & Hospitality Investment Summit (Sept. 28, 2012)*
- *APREA-Philippine Chapter Presentation on Global Experiences in Infrastructure and Public-Private Partnership (June 28, 2012, Makati Shangri-La)*
- *Moving Metro Manila: A Public Lecture on Urban Planning, Transport and Mobility (Oct. 25, 2011, Romulo Lounge Tower 1 and Exchange Plaza)*
- *26th Professional Directors Program (Sept. 1, 6, 7, 13, and 14, 2010, The Peninsula Manila)*
- *Real Estate Investment Trust - the New Wave (May 25, 2010, Dusit Thani Manila)*
- *Various ICD Roundtable Fora*
- *Corporate Governance: A Lecture Especially Prepared For D&L Industries' Board Of Directors & Management (November 26, 2015, D&L Office)*

- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of	Date of	Program	Name of Training
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³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Director/Officer	Training		Institution
Cesar B. Bautista	various	As Trustee of the Institute of Corporate Directors and Institute of Solidarity for Asia, participated in the 12 Roundtable For a and the following activities: reviewer of the Performance Governance Scorecards of NGAs; alignment of corporate governance in the country with the Asian Corporate Governance; improvement of governance in family businesses and the various professions under PRC; and the upgrade of standards in the public listed corporations in the PSE.	Institute of Corporate Directors and Institute of Solidarity for Asia
Filemon T. Berba, Jr.	various	Speaker in various Management Fora	various
Alvin D. Lao		<ul style="list-style-type: none"> ▪ Investor Relations Professionals Association (Singapore) Seminar Series (Nov. 28 – 30, Holiday Inn, Singapore) ▪ Phil Energy & Infrastructure Business Meeting (Sept. 25, 2012, Makati Shangri-La) ▪ Asia Pacific Real Estate & Hospitality Investment Summit (Sept. 28, 2012) ▪ APREA-Philippine Chapter Presentation on Global Experiences in Infrastructure and Public-Private Partnership (June 28, 2012, Makati Shangri-La) 	

Note: A lecture on corporate governance was organized for and attended by the Directors and Senior Management of the Company. The lecture was given by Mr. Juan Carlos B. Robles on November 26, 2015 and organized by The Center for Global Best Policy.

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	No person shall qualify or be eligible for nomination or election to the Board of Directors if such person is engaged in any business which competes with or is antagonistic or harmful to the business of the Corporation, or where such person is serving as a director, will suffer a serious conflict of interest which adversely affects the business of the Corporation.	Management and employees are expected to avoid financial, business or other relationships or activities that might be opposed to the interests of the Corporation, or might cause a conflict with the performance of their duties, or would result in activities that would compete with the Corporation's business. Employees must conduct themselves in a manner that avoids even the appearance of a conflict between their personal interests and those of the Corporation.	
(b) Conduct of Business and Fair Dealings	The Corporation is committed to establishing beneficial, harmonious and lasting relations with our suppliers, customers and business partners. The Corporation respects the legitimate interests of those with whom we have relationships.		
(c) Receipt of gifts from third parties	The Corporation does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be considered as being a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.		
(d) Compliance with Laws & Regulations	Directors, management and employees must comply with the laws and regulations of the countries in which they operate.		

(e) Respect for Trade Secrets/Use of Non-public Information	<i>The Corporation respects the legitimate interests of those with whom we have relationships.</i>
(f) Use of Company Funds, Assets and Information	<i>The Corporation conducts operations with honesty, integrity and openness. No corporate funds, assets, services or facilities shall be used, directly or indirectly, for any unlawful, unethical or personal enrichment purpose.</i>
(g) Employment & Labor Laws & Policies	<i>The Corporation respects the dignity of the individual and the rights of employees. We do not use any form of forced, compulsory or child labor. We maintain good communications with our employees through company based information and consultation procedures. We work with our employees to develop and enhance each individual's skills and capabilities and provide safe and healthy working conditions for all our employees.</i> <i>The Corporation does not discriminate according to race, color, religion, age, gender, sexual orientation, marital status, disability, ethnic origin or nationality. Hiring, evaluation, promotion, training, development, discipline, compensation and termination decisions are based on qualifications, merit, performance and business considerations only.</i>
(h) Disciplinary action	<i>Failure by any employee, including managers or supervisors who ignore prohibited conduct, or have knowledge of the conduct and fail to correct it, to comply with the Corporation's Code of Business Principles (COBP) or associated standards of conduct will be subjected to appropriate disciplinary action.</i>
(i) Whistle Blower	<i>The Corporation expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of the Corporation's COBP. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.</i>
(j) Conflict Resolution	<i>The Corporation shall establish an alternative dispute resolution system to amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.</i>

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Yes
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

All D&L employees must comply with the Code of Business Principles (COBP) and associated standards of conduct in the pursuit of the Company's business. Failure by any employee, including managers or supervisors who ignore prohibited conduct, or have knowledge of the conduct and fail to correct it, to comply with the COBP or associated standards of conduct will be subjected to appropriate disciplinary action.

Managers and heads of the business units are ultimately responsible for ensuring compliance with the COBP. Management at all levels must be role-models for compliance with the COBP and associated standards by visibly demonstrating support and by regularly encouraging adherence by the employees. Managers must ensure that members of their staff receive guidance, training and communication on ethical behavior and legal compliance relevant to their duties to the Company.

The Company expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles. Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>Any Related Party Transaction shall be reported to the Audit Committee, which shall review the material facts of all Related Party Transactions and either approve, disapprove or ratify such transactions. The Audit Committee shall report all Related Party Transactions to the Board of Directors.</p> <p>All Related Party Transactions shall be disclosed in the Company's Financial Statements and Annual Report to Shareholders.</p>
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	<p>The Lao Family has control of the Company and its subsidiaries through direct and indirect shareholdings. Several member of the Lao Family also serve in various capacities as directors and officers of the Company and its subsidiaries. Conflicts of interest that may arise between the Lao Family and the Company in a number of areas relating to the Company's businesses include:</p> <ul style="list-style-type: none"> ▪ Major business combinations involving the Company, including transfers of Lao Family-affiliated companies into the Company or other affiliates, or transfers of assets of the Company to other Lao Family affiliates; ▪ Plans to develop the respective businesses of the Company; and ▪ Business opportunities that may be attractive to both the Lao Family and the Company.
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p>The responsibility for avoiding conflict of interest rests with the Directors/Officers/Significant Shareholders. They are required to disclose his, his family members', up to his or his spouse's second degree relatives, relation with the Company's customers, suppliers and contractors, other relevant information and actual (or potential) conflicts of interest and other matters whenever they arise.</p>
Group	

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
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⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.
Consolidated changes in the ACGR for 2015

Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 19 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company (attached herewith as Annex 1).

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
<i>Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 19 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company (attached herewith as Annex 1).</i>		

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
<i>There are no shareholder agreements that may impact on the control, ownership and strategic direction of the Company.</i>		

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	<i>As of date, there are no disputes between the Company and any of its stockholders, third parties and regulatory authorities that would require adoption of an alternative dispute resolution system.</i>
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

At the beginning of the year.

- 2) Attendance of Directors

<i>Board</i>	<i>Name</i>	<i>Date of Election</i>	<i>No. of Meetings Held during the year</i>	<i>No. of Meetings Attended</i>	<i>%</i>
<i>Director & Chairman Emeritus</i>	<i>Dean L. Lao</i>	<i>06-8-15</i>	<i>6</i>	<i>6</i>	<i>100</i>
<i>Chairman</i>	<i>Leon L. Lao</i>	<i>06-8-15</i>	<i>6</i>	<i>6</i>	<i>100</i>
<i>Member</i>	<i>Alex L. Lao</i>	<i>06-8-15</i>	<i>6</i>	<i>6</i>	<i>100</i>
<i>Member</i>	<i>Yin Yong L. Lao</i>	<i>06-8-15</i>	<i>6</i>	<i>6</i>	<i>100</i>
<i>Member</i>	<i>John L. Lao</i>	<i>06-8-15</i>	<i>6</i>	<i>6</i>	<i>100</i>
<i>Independent</i>	<i>Cesar B. Bautista</i>	<i>06-8-15</i>	<i>6</i>	<i>6</i>	<i>100</i>
<i>Independent</i>	<i>Filemon T. Berba, Jr.</i>	<i>06-8-15</i>	<i>6</i>	<i>6</i>	<i>100</i>

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? *No.*

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No, the By-Laws only require a majority of the Directors to constitute a quorum for the transaction of corporate business.

5) Access to Information

(a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

Notice, agenda and board papers are given to the directors at least five (5) days before the scheduled board meeting.

(b) Do board members have independent access to Management and the Corporate Secretary? Yes.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Yes, the duties and responsibilities of the Corporate Secretary include those mentioned above. Specifically, the duties and responsibilities of the Corporate Secretary are as follows:

- a. Assist the Chairman with the Corporate Secretary ;*
- b. Responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the Corporation;*
- c. Work fairly and objectively with the Board, Management and stockholders;*
- d. Possess administrative, interpersonal and legal skills;*
- e. Possess awareness of the laws, rules and regulations necessary in the performance of his duties and responsibilities and knowledge of the Corporation's operations;*
- f. Notify members of the Board before every meeting, inform them, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information to enable them to make informed decisions;*
- g. Attend all Board meetings, except when justifiable causes such as illness, death in the immediate family and serious accidents, prevent him from doing so; and*
- h. Ensure compliance by the Board members with all Board procedures, rules and regulations.*

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Yes.

Please explain should the answer be in the negative.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes No

Committee	Details of the procedures
Executive	<i>Management, upon request of the Board or Board committee, shall provide them with complete, adequate and timely information about the matters to be taken up in their meetings.</i>
Audit	
Nomination	
Remuneration	

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

Others (specify)	
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6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
<i>Directors may receive external advice as may be requested.</i>	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
<i>Dividend Policy</i>	<i>Declaring a dividend payout rate of 25% of its prior year's consolidated net income (based on the Resolution dated 02 October 2012) TO 50% of its prior year's consolidated recurring net income, to be paid out of from the Corporation's available unrestricted retained earnings</i>	<i>To improve the benefits to be received by the shareholders</i>

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	<i>The Board of Directors, upon recommendation of the Compensation Committee, shall fix, increase, or reduce the compensation of the CEO and senior management officers of the Corporation</i>	
(2) Variable remuneration		
(3) Per diem allowance		
(4) Bonus		
(5) Stock Options and other financial instruments		
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	<i>The Board of Directors may, as and when it deems appropriate, provide compensation for each meeting of the Board attended by them. A Director may serve the Corporation in any other capacity and receive compensation therefor. No policy resulting</i>	<i>The following allowances for reimbursable expenses are given to Directors per meeting: Board Chairman – PhP60,000 Board Members – PhP50,000</i>	
Non-Executive Directors			

	<i>in an increase in the compensation and remuneration of Directors shall take effect until after the expiration of the term of all Directors approving such policy.</i>	<i>Committee Chairman – PhP35,000 Committee Members – PhP25,000</i> <i>Aside from the aforementioned allowances, no other compensation is paid to Directors of the Company.</i>
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Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
<i>The Corporation's Manual of Corporate Governance requires disclosure of all fixed and variable compensation that may be paid, directly and indirectly, to its Directors and top four (4) management officers during the preceding fiscal year in its annual reports and information and proxy statements, which may be subject to objection or ratification of the stockholders. There were no issues on the compensation of directors and officers which was brought up in the last annual stockholders meeting.</i>	

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	<i>none</i>	<i>none</i>	<i>None</i>
(b) Variable Remuneration	<i>none</i>	<i>none</i>	<i>None</i>
(c) Per diem Allowance	<i>none</i>	<i>none</i>	<i>None</i>
(d) Bonuses	<i>none</i>	<i>none</i>	<i>None</i>
(e) Stock Options and/or other financial instruments	<i>none</i>	<i>none</i>	<i>None</i>
(f) Others (Specify)	<i>The following allowances for reimbursable expenses are given to Directors per meeting:</i> <i>Board Chairman – PhP60,000 Board Members – PhP50,000 Committee Chairman – PhP35,000 Committee Members – PhP25,000</i> <i>Aside from the aforementioned allowances, no other compensation is paid to Directors of the Company.</i>		
Total	<i>As stated above.</i>		

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	<i>NONE</i>		
2) Credit granted			
3) Pension Plan/s Contributions			
(d) Pension Plans, Obligations incurred			

(e) Life Insurance Premium	
(f) Hospitalization Plan	
(g) Car Plan	
(h) Others (Specify)	
Total	

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
<i>The Company does not have any stock option or management incentive plan as part of its current compensation for it's the Directors.</i>				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
<i>There were no amendments and discontinuation of any incentive programs introduced during the year.</i>		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
<i>Alvin D. Lao/EVP, CFO and Compliance Officer</i>	<i>P13,392,957.60</i>
<i>Dean A. Lao, Jr./Managing Director, Chemrez</i>	
<i>Lester A. Lao/Managing Director, FIC & DLPC</i>	
<i>Vincent D. Lao/Managing Director, Oleo-Fats</i>	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members				Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)	Non-Director				

Executive	1	3		1	<p><i>During the intervals between the meetings of the Board, the Executive Committee possesses and may 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 shall have not been given by the Board. All actions by the Executive Committee shall be reported to the Board at its meeting next succeeding such action, and shall be subject to revision and alteration by the Board, provided that no rights of third parties shall be affected by any such revision or alteration.</i></p>
Audit		1	2		<p><i>a) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;</i></p> <p><i>b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation. This function shall include regular receipt from Management of information on risk exposures and risk management activities;</i></p> <p><i>c) Perform oversight functions over the corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</i></p> <p><i>d) Review the annual internal audit plan to ensure its conformity with the objectives of the corporation. The plan shall include the audit scope, resources and budget necessary to implement it;</i></p> <p><i>e) Prior to the commencement of the external audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</i></p> <p><i>f) Establish an internal audit function, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</i></p> <p><i>g) Monitor and evaluate the adequacy and effectiveness of the corporation's internal</i></p>

					<p>control system, including financial reporting control and information technology security;</p> <p>h) Review the reports submitted by the internal and external auditors;</p> <p>i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:</p> <ul style="list-style-type: none"> - Any change/s in accounting policies and practices - Major judgmental areas - Significant adjustments resulting from the audit - Going concern assumptions - Compliance with accounting standards - Compliance with tax, legal and regulatory requirements <p>j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;</p> <p>k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report; and</p> <p>l) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.</p>
Nomination	1	1	1		<p>The Nomination Committee shall review and evaluate the qualifications of all persons nominated as director, whose names are submitted to the Corporation in accordance with Article IV, Section 1 of the By-laws, and other appointments that require Board approval, and assess the effectiveness of the Board's processes and procedures in the election and replacement of directors. It shall conduct nominations and pre-screen the qualifications of candidates for</p>

					<i>independent directors and prescribe screening policies and parameters in the review of the qualifications of nominees for independent directors. It shall adopt procedures for the nomination, election and termination and or cessation of independent directors in conformity with applicable laws and regulations.</i>			
Remuneration	1	1	1		<i>The Compensation Committee shall establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Corporation's culture, strategy and the business environment in which it operates.</i>			
Others (specify)								

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	<i>Dean L. Lao</i>	<i>6-8-15</i>	<i>11</i>	<i>11</i>	<i>100</i>	<i>3 yrs</i>
Member (NED)	<i>Leon L. Lao</i>	<i>6-8-15</i>	<i>11</i>	<i>11</i>	<i>100</i>	<i>3 yrs</i>
Member (NED)	<i>Yin Yong L. Lao</i>	<i>6-8-15</i>	<i>11</i>	<i>11</i>	<i>100</i>	<i>3 yrs</i>
Member (NED)	<i>Alex L. Lao</i>	<i>6-8-15</i>	<i>11</i>	<i>11</i>	<i>100</i>	<i>3 yrs</i>
Member	<i>Alvin D. Lao</i>	<i>6-8-15</i>	<i>11</i>	<i>11</i>	<i>100</i>	<i>3 yrs</i>

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	<i>Cesar B. Bautista</i>	<i>6-8-15</i>	<i>4</i>	<i>4</i>	<i>100</i>	<i>3 yrs</i>
Member (ED)	-	-	-	-	-	-
Member (NED)	<i>Yin Yong L. Lao</i>	<i>6-8-15</i>	<i>4</i>	<i>4</i>	<i>100</i>	<i>3 yrs</i>
Member (ID)	<i>Filemon T. Berba, Jr.</i>	<i>6-8-15</i>	<i>4</i>	<i>4</i>	<i>100</i>	<i>3 yrs</i>
Member	-	-	-	-	-	-

Disclose the profile or qualifications of the Audit Committee members.

Cesar B. Bautista is the audit committee chairman and independent director of the Company. He is an independent director of Chemrez Technologies Inc. and the Chairman of CIBI and St. James' Ventures Inc. Mr. Bautista is also a Director of First Philippines Holding Corporation, Bayantel Telecommunications, Inc., Pilipinas Shell Petroleum, Chartis Insurance Inc., Philratings Services Inc., PHINMA, Maxicare Healthcare Inc., as well as an Advisory Director of AIM-Zuellig Center for Business Transformation, Co-Chairman of the National Competitiveness Council and a Trustee of the Institute of Corporate Directors. Mr. Bautista previously served as Philippine Ambassador to the United Kingdom, the Republic of Ireland and the Republic of Iceland, as Secretary of the Department of Trade and Industry of the Philippines, as well as President and Chairman of Unilever Philippines, Inc. Mr. Bautista obtained a B.S. in Chemical Engineering from the University of the Philippines and an M.S. in Chemical Engineering from Ohio State University.

Filemon T. Berba, Jr. is an independent director of the Company. He is the President of the Philippine Foundation for Science & Technology, President Emeritus of the Philippine Quality Award Foundation and serves as independent director of iPeople, EEI Corporation. He also previously served as member of the Board of Trustees of La Salle Canlubang, 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 Office 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 in 1959 and obtained his Masters of Business Administration degree (with distinction) from the Wharton School of the University of Pennsylvania in 1964.

Yin Yong L. Lao is the Vice Chairman of the Company, having been a Director since 1971, having previously served as President. He is President of LBL Prime Properties, Inc. Mr. Lao 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, Inc., Chemrez Technologies, Inc., First in Colours, Incorporated, Oleo-Fats Incorporated, Malay Resources, Incorporated, FIC Marketing Co., Inc., LBL Prime Properties, Inc., Ecozone Properties, Inc., First Batangas Industrial Park, Inc., Anonas LRT Property and Dev't Corp. and Hotel Acropolis, Inc. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in General Studies.

Each member has an adequate understanding at least or competence at most of the Corporation's financial management systems and environment. The chair of the Audit Committee must be an independent director.

Describe the Audit Committee's responsibility relative to the external auditor.

In relation to the external auditor, the Audit Committee is tasked to:

- Perform oversight functions over the external auditors. It should ensure the independence of external auditors and unrestricted access to all records, properties and personnel to enable external auditors to perform their audit functions.
- Prior to the commencement of the external audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Review the reports submitted by the external auditors.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. It shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose a threat to the independence of the external auditor. The Audit Committee shall cause disclosure of the non-audit work, if allowed, annual report.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Leon L. Lao	6-8-15	1	1	-	3 yrs
Member (ED)	John L. Lao	6-8-15	1	1	-	3 yrs
Member (NED)	-	-	-	-	-	-
Member (ID)	Filemon T. Berba, Jr.	6-8-15	1	1	-	3 yrs
Member	-	-	-	-	-	-

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings	No. of Meetings Attended	%	Length of Service in
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			Held			the Committee
Chairman	<i>Yin Yong L. Lao</i>	<i>6-8-15</i>	<i>0</i>	<i>0</i>	<i>-</i>	<i>3 yrs</i>
Member (ED)	<i>John L. Lao</i>	<i>6-8-15</i>	<i>0</i>	<i>0</i>	<i>-</i>	<i>3 yrs</i>
Member (NED)	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Member (ID)	<i>Cesar B. Bautista</i>	<i>6-8-15</i>	<i>0</i>	<i>0</i>	<i>-</i>	<i>3 yrs</i>
Member	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman						
Member (ED)						
Member (NED)						
Member (ID)						
Member						

The Company has no other Board Committees.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive		<i>There were no changes in the committee memberships as of date. The same set of directors was re-appointed to the Committees.</i>
Audit		
Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	<i>Deliberate on matters dealing with day-to-day management of the Company</i>	<i>Authorizations required for matters in the ordinary course of business</i>
Audit	<ul style="list-style-type: none"> ▪ <i>Review quarterly and annual financial results</i> ▪ <i>Discuss and recommend draft Code of Business Principles</i> ▪ <i>Discuss and recommend draft Audit Committee Charter</i> ▪ <i>Discuss External Audit Plan</i> ▪ <i>Discuss Internal Audit Findings</i> 	<ul style="list-style-type: none"> ▪ <i>Approval of Financial Statements</i> ▪ <i>Adoption of formal policies of business ethics</i> ▪ <i>Adoption of a formal Audit Committee Charter</i> ▪ <i>Areas of Improvement</i> ▪ <i>Areas of Improvement</i>
Nomination	<i>Screening and evaluation of nominees for directors</i>	<i>Qualifications and Disqualifications</i>
Remuneration	<i>None</i>	<i>None</i>
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	<i>none</i>	
Audit	<i>Monitor work of external and internal auditors</i>	<i>Areas of improvement</i>
Nomination	<i>Screening and evaluation of nominees for directors</i>	<i>Qualifications and Disqualifications</i>
Remuneration	<ul style="list-style-type: none"> • <i>Screening and evaluation of candidates for promotion</i> • <i>Review of executive compensation</i> 	<ul style="list-style-type: none"> • <i>Qualifications of candidates</i> • <i>Adjustment of compensation</i>
Others (specify)		

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

Management should be able to identify risks as they arise and ensure that these risks are appropriately managed.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Board, through the Audit Committee, has reviewed the effectiveness of the risk management system and assures the Shareholders and Stakeholders that the risk management system is adequate to mitigate major business risks.

(c) Period covered by the review; *2012*

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; *Annually*

(e) Where no review was conducted during the year, an explanation why not. *Not applicable*

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<i>Fraud</i>	<i>Whistle Blower Policy</i>	<i>To involve management and employees in all levels in fraud detection and provide deterrence</i>
<i>Health Safety Environment</i>	<i>Comply with health, safety and environmental regulations</i>	<ul style="list-style-type: none"> ▪ <i>To ensure well-being of employees</i> ▪ <i>To preserve the environment, conserve and wisely use resources</i> ▪ <i>To ensure business continuity in case of manmade or natural disasters</i>
<i>Asset Protection</i>	<i>Authority Schedule CAPEX Policy</i>	<i>To ensure proper buying, safeguarding, use and disposal of</i>

	<i>Asset Inventory/Reconciliation</i>	<i>assets</i>
<i>Stock Protection</i>	<i>Purchasing Guidelines Inventory Control</i>	<i>To ensure that stocks are properly received, paid, used, stored, dispensed and disposed.</i>
<i>Information Technology</i>	<i>IT Security Disaster Recovery Plan</i>	<i>To ensure that IT systems are safeguarded against threats and that operations are continuous.</i>
<i>Product Failure</i>	<i>Quality Policy Product Recall Material Safety Data Sheets Technical Bulletins/Specs</i>	<i>To ensure that products are manufactured within specifications and are safe for use. In the event of failure, recall is effected to minimize customer risks.</i>
<i>Human Resource</i>	<i>D&L works with employees to develop and enhance each individual's skills and capabilities and provide safe and healthy working conditions for all employees. D&L does not discriminate according to race, color, religion, age, gender, sexual orientation, marital status, disability, ethnic origin or nationality. Hiring, evaluation, promotion, training, development, discipline, compensation and termination decisions are based on qualifications, merit, performance and business considerations only.</i>	<ul style="list-style-type: none"> ▪ <i>To ensure compliance with Labor Laws.</i> ▪ <i>To encourage employee retention.</i>

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
<i>Same as F.2(a)</i>		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
<i>Through direct and indirect interests, the Lao Family effectively controls the Company and its subsidiaries. There can be no assurance that the respective businesses or activities of other Lao Family-related companies will not compete with the Company's businesses or activities in the future. In addition, certain Lao Family-controlled companies have significant commercial transactions with the Company or its subsidiaries. The interests of the Lao Family may differ from the Company's interests or the interests of other shareholders, and there can be no assurance that the Lao Family will exercise influence over the Company in a manner that is in the best interests of the Company's other shareholders.</i>

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Fraud</i>	<i>Audit of Business Process and Procedures</i>	<i>Reports submitted to the Executive and Audit Committees and Managing Directors of operating companies</i>
<i>Health Safety Environment</i>	<i>Safety statistics Environmental Permit Renewals Annual Physical Exam</i>	<i>Periodic review by HSE Committee</i>
<i>Asset Protection</i>	<i>CAPEX budgeting Reconciliation of Assets</i>	<i>Periodic review by auditors</i>
<i>Stock Protection</i>	<i>Inventory reconciliation and 3-way matching</i>	<i>Accounting review and physical counting</i>
<i>Information Technology</i>	<i>IT Audit Disaster Recovery Drill</i>	<i>Corporate Audit</i>
<i>Product Failure</i>	<i>Cost of Quality Product Recall Testing</i>	<i>Audit by Customers Report review by Supply Chain Director</i>
<i>Human Resource</i>	<i>Labor Laws update by Legal</i>	<i>Corporate Audit</i>

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
<i>Same as F.3(b)</i>		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
<i>Board and Audit Committee</i>	<i>Policies/Regulation/Declarations</i>	<i>Formulates policies and declarations; Declares adequacy of safeguards</i>
<i>Management Committee</i>	<i>Review of Safeguards</i>	<i>Review safeguards for risks identified by auditors</i>
<i>Corporate Audit</i>	<i>CAPEX budgeting Reconciliation of Assets IT Audit Disaster Recovery Drill Labor Laws update by Legal</i>	<i>Assures that Business Process Risks are properly mitigated and that safeguards installed are adequate to reduce the risks to low materiality and low probability</i>
<i>Internal Audit</i>	<i>Inventory reconciliation and 3-way matching Accounting review and physical counting</i>	<i>Assures that Policies and Procedures are in place and that safeguards are adequate to reduce the risks to low materiality and low probability.</i>
<i>HSE Committee</i>	<i>Safety statistics Environmental Permit Renewals Annual Physical Exam</i>	<i>Identifies specific business risks regarding health, safety and environment and provides grass-root coverage.</i>

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;

The Company has an Accounting Manual which defines the internal controls implemented within the different processes. In addition, additional controls or policies are defined in different memoranda distributed to its employees.

- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

Please see attached Statement of Management Responsibility for Financial Statements (Annex 2).

- (c) Period covered by the review; *2012 and 2013*

- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Company ensures that implemented controls are documented in its Accounting Manual which defines the internal controls implemented within the different processes. The manual is regularly revisited. Controls are evaluated during the monitoring activities conducted by the process owners and during the internal control reviews

- (e) Where no review was conducted during the year, an explanation why not.

Not Applicable – There were reviews performed for the year 2013.

2) Internal Audit

- (a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Internal audit should be able to provide independent and objective assessment of risk mgt strategies, mgt control framework and governance so that stakeholders are assured that financial information are accurate, reliable and timely, that the assets are safeguarded, that everyone is compliant with policies and procedures and that plans and objectives are being achieved.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<i>To provide an independent and objective assurance and consulting activity designed to add value and improve an organization's operations.</i>	<i>The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality</i>	<i>For 2013, outsourced and in-house combined</i>	<i>Punongbayan & Araullo (P&A) and D&L Internal Audit Department</i>	<i>Directly reporting to the Audit Committee</i>

	<i>of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.</i>			
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, the Audit Committee has approved the appointment of P&A as its outsourced internal audit service provider for 2013. It has also created its in-house internal audit function in the second half of 2013 which has started its audit activity in the last quarter of the year.

- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

Both outsourced and in-house internal auditors are directly reporting to the Audit Committee. The Audit Committee supervises and/or monitors the different process of the Company.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
<i>Cielo Diano, Managing Consultant</i>	<i>Resigned from P&A in 2013 for other work opportunities</i>

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	<i>For 2013, the planned scope of work was fully covered in quarterly audits.</i>
Issues⁶	<i>Issues and findings resulting from the quarterly audits were presented to the concerned process owners for resolution. The management of the Company is responsible for ensuring that committed action plans are implemented.</i>
Findings⁷	
Examination Trends	<i>The results of the internal control reviews for 2013 shall be considered in this year's review.</i>

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
<i>Internal audit controls implemented by the company are documented in the Accounting Manual and in related memoranda.</i>	<i>Operating effectiveness or evaluation whether these controls are consistently being implemented was conducted as part of the 2012 audit.</i>

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<i>Obtain results of independence check conducted by the audit firm to ensure no conflicts of interest exist. In addition, results of individual declaration of independence by the staff to be assigned are also considered.</i>	<i>None</i>	<i>none</i>	<i>none</i>

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Compliance Officer and the President

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	<i>D&L is committed to providing products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Product and services will be accurately and properly labeled, advertised and communicated.</i>	<ul style="list-style-type: none"> ▪ <i>random product testing</i> ▪ <i>secure appropriate ISO certifications</i>
Supplier/contractor selection practice	<i>D&L is committed to establishing beneficial, harmonious and lasting relations with our suppliers, customers and business partners. In our business dealings, we expect not</i>	<i>Adoption of COBP</i>

	<i>only our employees but also our business partners to adhere to business principles consistent with our own.</i>	
Environmentally friendly value-chain	<i>D&L is committed to sustainable development. We endeavor at all times to meet the Company's business needs while preserving the environment so that these needs can be met not only in the present, but also for generations to come. D&L ensures compliance with health, safety, security, environment and social performance requirements and aims to minimize impact on ecosystems and biodiversity, lower emissions, and use energy, water and other resources more efficiently.</i>	<ul style="list-style-type: none"> ▪ Promotion of Green Chemistry ▪ Encourage segregation and recycling ▪ Development of biodegradable plastic products ▪ Secure appropriate ISO certifications
Community interaction	<i>D&L recognizes that we have responsibilities to the societies and communities in which we operate. D&L aims to contribute to the development of the community, create lasting social benefits and minimize, if not avoid, disruptions to the community.</i>	See Annex 3
Anti-corruption programmes and procedures?	<i>D&L does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be considered as being a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.</i>	Adoption of COBP
Safeguarding creditors' rights	<i>D&L conducts operations with honesty, integrity and openness. The Company respects the legitimate interests of those with whom we have relationships.</i>	Adoption of COBP

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

Yes, the Corporation's CSR activities are carried out through the Lao Foundation, Inc.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

- *Conduct business in a manner that will meet customer expectations while ensuring sustainable growth;*
- *Ensure the well-being of our employees by implementing health and safety programs;*
- *Preserve the environment, conserve and wisely use resources; and*
- *Comply with health, safety, environmental regulations and other applicable requirements.*

(b) Show data relating to health, safety and welfare of its employees.

Please see attached latest annual physical exam (Annex 4-A) and the Company's Safety Committee Report (Annex 4-B).

(c) State the company's training and development programmes for its employees. Show the data.

Please see attached latest report on the Company's training initiatives (Annex 5).

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company shall provide commensurate remunerations package (salary plus benefit package) that is competitive within the industry and other similar establishments. The Company shall endeavor to give an equitable benefit package that responds to the prevailing economic conditions.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

D&L expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles. D&L assures employees that they will be able to report in confidence and that no employee will suffer as a consequence of doing so.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

As of December 31, 2015, the following are owners of more than 5% of the Corporation's outstanding shares:

Shareholder	Number of Shares	Percent	Beneficial Owner
Jadel Holdings Co., Inc.	3,930,114,072	55.02%	Lao Family
PCD Nominee Corp. (Filipino)	1,229,300,943	17.21%	We have no information to confirm if there are no participants holding more than 5% of the Corporation's voting securities
PCD Nominee Corp. (Non-Filipino)	1,222,754,835	17.12%	We have no information to confirm if there are no participants holding more than 5% of the Corporation's voting securities

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Dean L. Lao, Chairman Emeritus & Director	54,610,096	403,824 / Jadel Holdings Co. Inc. / SmartWorks Trading Co., Inc. / LBL Prime Properties, Inc.	0.77
Leon L. Lao, Chairman	60,608,934	38,209,880 / Jadel Holdings Co. Inc. / Allvee United, Inc. / LBL Prime Properties, Inc.	1.38
Alex L. Lao, Director	65,159,776	52,809,004 / Jadel Holdings Co. Inc. / Jadana, Inc. / LBL Prime Properties, Inc.	1.65
Yin Yong L. Lao, Director & Vice-Chairman	65,987,202	73,044,780 / Jadel Holdings Co. Inc. / CEE Industries, Inc. / LBL Prime Properties, Inc.	1.95
John L. Lao, Director & President	68,837,202	49,453,220 / Jadel Holdings Co. Inc. / CEE Industries, Inc. / Jadana, Inc. / Prime Spin, Inc. / LBL Prime Properties, Inc.	1.66

<i>Filemon T. Berba Jr., Independent Director</i>	200,002	None	0.00
<i>Cesar B. Bautista, Audit Committee Chairman & Independent Director</i>	2	None	0.00
<i>Alvin D. Lao, Executive Vice-President, Chief Financial Officer, & Compliance Officer</i>	6,598,000	19,673,498 - Allvee United, Inc./Jadana, Inc./ Prime Spin, Inc./ Smartworks Trading Co., Inc.	0.36
<i>Dean A. Lao, Jr. – Managing Director, Chemrez Technologies</i>	400,000	2,413,769 – Smartworks Trading Co., Inc./ Hansevian, Inc.	0.04
<i>Lester A. Lao, Managing Director, FIC and DLPC</i>	200,000	100,004,428 – Smartworks Trading Co., Inc./ Hansevian, Inc./Prime Spin, Inc.	1.40
<i>Vincent D. Lao, Managing Director, Oleo-Fats, Inc.</i>	760,000	14,530,569 – Allvee United, Inc./ Smartworks Trading Co., Inc./ Hansevian, Inc.	0.21
<i>Arthur R. Ponsaran, Corporate Secretary</i>	1	none	0.00
TOTAL	323,361,215	350,542,972	9.43

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	No
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	No
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The information is disclosed in separate documents. The whistle-blowing policy may be found in the Code of Business Policies as reported in this ACGR. The number of BOD meetings and attendance of the directors may be verified in the Advisement Letters submitted to the SEC and disclosed to the PSE.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
<i>Isla Lipana & Co (formerly Joaquin Cunanan & Co.)</i>	<i>P5,319,022</i>	<i>none</i>

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

- *Company disclosures filed with SEC and PSE*
- *Print (e.g. broadsheets, brochures)*
- *Written notices*
- *Corporate website/s*
- *Briefing sessions for analysts and the media*

5) Date of release of audited financial report: *February 25, 2015*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	Yes
Financial statements/reports (current and prior years)	Yes
Materials provided in briefings to analysts and media	Yes
Shareholding structure	Yes
Group corporate structure	Yes
Downloadable annual report	Yes
Notice of AGM and/or EGM	Yes
Company's constitution (company's by-laws, memorandum and articles of association)	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The Company intends to make the above-mentioned items available to the public through the Company website. As of date, the Company is in the process of uploading the above-mentioned items. In the meantime, the same may be accessed through the SEC and PSE.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value
<i>Details of the Related Party Transaction are discussed under Notes 1 (General Corporate Information) and 19 (Related Party Transaction) of the Notes to the Consolidated Financial Statements of the Company (attached herewith as Annex 1). There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company.</i>			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

Any Related Party Transaction shall be reported to the Audit Committee, which shall review the material facts of all Related Party Transactions and either approve, disapprove or ratify such transactions. The Audit Committee shall report all Related Party Transactions to the Board of Directors. All significant Related Party Transactions shall be disclosed in the Financial Statements and Annual Report to the stockholders.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	<i>majority of the subscribed capital stock</i>
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	<i>balloting</i>
Description	<p><i>In all items for approval except election of directors, each stockholder shall be entitled to one vote for each share of the capital stock held by the stockholder, in person or by proxy. In case of election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.</i></p> <p><i>The vote at the elections of Directors shall be by stock vote and by ballot unless by unanimous vote of all the stockholders present in person or by proxy, the said stockholders shall, by resolution, agree to a viva voce vote. Upon demand of stockholders entitled to cast twenty percent (20%) of the votes present in person or by proxy, the vote on any other question shall likewise be a stock vote and by ballot. Each ballot shall state the name of the stockholder acting and the number of shares owned by him and, in addition, if such ballots be cast by proxy, it shall also state the name of such proxy. With these exceptions, and the further exception of any question the manner of deciding which is specially regulated by statute, all voting shall be viva voce and all questions shall be determined by majority vote in interest of the stockholders present in person or by proxy.</i></p>

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
<ul style="list-style-type: none"> ▪ <i>Right to vote on all matters that require their consent or approval;</i> ▪ <i>Right to inspect corporate books and records;</i> ▪ <i>Right to information;</i> ▪ <i>Right to dividends;</i> ▪ <i>Appraisal right; and</i> ▪ <i>Right to appoint a proxy</i> 	<i>none</i>

Dividends

Declaration Date	Record Date	Payment Date
<i>June 27, 2012</i>	<i>June 27, 2012</i>	<i>June 29, 2012</i>
<i>August 28, 2012</i>	<i>September 3, 2012</i>	<i>September 3, 2012 September 6, 2012</i>
<i>June 24, 2013</i>	<i>July 24, 2013</i>	<i>August 19, 2013</i>
<i>June 2, 2014</i>	<i>June 18, 2014</i>	<i>June 30, 2014</i>

June 8, 2015	June 30, 2015 - cash August 20, 2015 - stock	July 8, 2015 September 17, 2015
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(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

2. Measures Adopted	3. Communication Procedure
<i>Submission of questions or comments in the open forum</i>	<i>After all agenda items have been considered, the Presiding Officer invites shareholders to bring forward any additional matters, issues, or concerns that they might wish to discuss.</i>

4. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

As a matter of law and policy, the corporate decisions on the foregoing matter shall be submitted to a vote of the stockholders in a meeting specifically called for the purpose and shall require the ratification of 2/3 of the subscribed capital stock.

5. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

No. But as matter of policy, AGM notices are given out at least 15 business days prior to the meeting.

- a. Date of sending out notices: *May 15, 2015*
- b. Date of the Annual/Special Stockholders' Meeting: *June 8, 2015*

6. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

There were no questions raised during the Annual Stockholders' Meeting

7. Result of Annual/Special Stockholders' Meeting's Resolutions

8. Resolution	9. Approving	10. Dissenting	11. Abstaining
<i>a) Approval of the minutes of the annual stockholders' meeting held on June 2, 2014</i>	<i>Majority of stockholders in attendance in person or by proxy</i>		
<i>b) Approval of the 2014 Annual Report and the Audited Financial Statements of the Corporation as of December 31, 2014 included in the Annual Report</i>			
<i>c) Approval, ratification and confirmation of all acts of the Board of Directors and Management from the date of the last annual stockholders' meeting held on June 2, 2014 to date as well as the contracts and transactions entered into by the Corporation for the same period, all as reflected in the minutes of the meetings of the Board of Directors, the Annual Report, and the Audited Financial Statements as of December 31, 2014.</i>			
<i>d) Appointment of the accounting firm of Isla Lipana & Co. as the Corporation's external auditors for the year 2015-2016.</i>			

<p>e) Election of the following Directors of the Corporation to serve as such until their successors shall have been elected and qualified:</p> <ul style="list-style-type: none"> • Mr. Dean L. Lao • Mr. Leon L. Lao • Mr. Yin Yong L. Lao • Mr. John L. Lao • Mr. Alex A. Lao • Amb. Cesar B. Bautista • Mr. Filemon T. Berba, Jr. 			
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12. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Results of the AGM are not published as of date.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
<i>There were no modifications made in 2015.</i>	

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	-Mr. Dean L. Lao -Mr. Leon L. Lao -Mr. Yin Yong L. Lao -Mr. John L. Lao -Amb. Cesar B. Bautista -Mr. Filemon T. Berba, Jr. -Mr. Alvin D Lao - CFO	6-8-15	By poll	4.46%	79.83%	84.29%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

No, the Corporate Secretary counts/validates votes. But if the need arises, the Board can designate the external auditor to count/validate votes.

(iii) Do the company's common shares carry one vote for one share? Yes.

If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. *Not Applicable*

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	<i>In writing, dated and subscribed by the stockholder or of his duly authorized attorney</i>
Notary	<i>Not required</i>
Submission of Proxy	<i>10 days before notice</i>
Several Proxies	<i>As per SRC Rule 20-11.b.xiv</i>
Validity of Proxy	<i>No proxy which is dated more than one year before the meeting at which it is offered shall be accepted.</i>
Proxies executed abroad	<i>As per SRC Rule 20-11.b.xvii</i>
Invalidated Proxy	<i>Invalid proxies shall be set aside and cannot be entitled to vote</i>
Validation of Proxy	<i>A committee designated by the Board shall validate the proxies.</i>
Violation of Proxy	<i>As may be provided by relevant laws and regulations</i>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
<p><i>Notice of regular or special meetings to the stockholders may be given in either one of the following ways:</i></p> <p>(a) <i>By mailing to each stockholders not less than fifteen (15) days prior to the date set for each meeting a notice written or printed advising him of the day, hour and place of the meeting. In all cases where the registered address of the stockholder is outside the territorial limits of the Philippines, notices shall be sent by airmail.</i></p> <p>(b) <i>By publication in a newspaper of general circulation published in Manila not less than fifteen (15) days prior to the date set for the meeting, which advertisement shall state the day, hour and place of the meeting. Provided, nevertheless, that in case the address of a registered address of the stockholder is outside the territorial limits of the Philippines, notices shall be sent by airmail not less that fifteen (15) days prior to the date of the meeting shall be sent to said stockholder.</i></p> <p><i>No failure or irregularity of notices of any regular or special meeting at which all the stockholders are present or re-presented and voting without protest shall invalidate such meeting or any proceeding thereat. No notice other than by verbal announcement need be given of any adjourned meetings of stockholders.</i></p>	

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	37
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	May 15, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	May 15, 2015

State whether CD format or hard copies were distributed	<i>Hard and soft copies</i>
If yes, indicate whether requesting stockholders were provided hard copies	Yes

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	<i>n/a</i>
The amount payable for final dividends.	<i>n/a</i>
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

The amount payable for final dividends is usually not yet available on the date of the Notice as the matter of dividends is usually decided by the Board in a meeting on the same day as the annual stockholders' meeting, immediately preceding the annual stockholders' meeting.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
<i>The Board should give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.</i>	<ul style="list-style-type: none"> ▪ <i>Special stockholders' meeting may be held at the written request of the stockholders representing a majority of the outstanding capital stock of the corporation.</i> ▪ <i>As matter of policy, after all agenda items have been considered, the Presiding Officer will invite shareholders to bring forward any additional matters, issues, or concerns that they might wish to discuss.</i>

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, all nominations shall be submitted to the Company at least ten (10) calendar days before the date of the meeting, addressed to the attention of the Corporate Secretary.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

EXTERNAL COMMUNICATIONS

To minimize the risk that can be caused by improper and unauthorized external communications, communications with the investment community and relevant stakeholders must be managed via the Investor Relations group. Other than

the Chairman, Chief Executive Officer, Chief Finance Officer, and the Investor Relations Officer, no other company personnel may speak to the investment community for the Company without prior approval by the Chief Financial Officer. Further, external communications, including company announcements, are approved by the Board of Directors, the Chief Finance Officer, and relevant company executives.

The Company's external communications policies are reviewed regularly by Investor Relations group.

INTERNAL COMMUNICATIONS

Directors, officers, employees, and business associates of the Company are prohibited from disclosing internal matters or developments which related in any way to material, non-public information with any person not affiliated with the Company (including, but not limited to, family members, relatives, and friends) except as required in the performance of such individual duties and in accordance with this policy statements. This covers documents filed with the Securities and Exchange Commission and the Philippine Stock Exchange, as well as communications between the Company and analysts, investors, and general media. Further, discussion of material, non-public information online or in public or quasi-public areas is forbidden.

The Company's internal communications policies are reviewed regularly by Investor Relations group.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	<i>Maintain open communications and credibility with stakeholders of the company, which includes, but not limited to, the investment community, employees, regulatory agencies, and general media and 2) Manage stakeholders' expectations relative to the company's performance and prospects</i>
(2) Principles	<i>To achieve fair valuation for the company and to facilitate continued access to capital in financial markets, the Investor Relations group regularly communicates essential, accurate, and up-to-date information with the investment community and other relevant stakeholders.</i>
(3) Modes of Communications	<i>The Investor Relations department makes publicly available essential investor information primarily through Philippine Stock Exchange disclosures. These include annual and interim reports, company announcements, and other relevant reports. Briefing sessions for analysts and the media are also arranged at the time of announcing full year results. At other times, inquiries of analysts and investors are answered by phone or email, or at investor meetings.</i>
(4) Investors Relations Officer	<i>Daryl Eunika Maloles Tel: 635 0680 local 150; Fax: 635 0703; Email: debmaloles@dnl.com.ph</i>

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

As a matter of law and policy, corporate decisions on the foregoing matters shall be approved by a majority of the Board of Directors and ratified by at least 2/3 of the subscribed capital stock at a meeting specifically called for the purpose. The Board shall at all times fully disclose information on material dealings of the Company and cause the filing of all required information for the interest of the shareholders.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. *None.*

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
<i>Please see Annex 3.</i>	

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	<i>Accomplishment of Self-Assessment Questionnaire</i>	<ul style="list-style-type: none"> ▪ <i>Degree of fulfillment of the board's responsibilities</i> ▪ <i>Quality of the board-management relationship</i> <i>Effectiveness of board processes and meetings</i>
Board Committees	<i>None</i>	<i>None</i>
Individual Directors	<i>Accomplishment of Self-Assessment Questionnaire</i>	<ul style="list-style-type: none"> ▪ <i>Competence</i> ▪ <i>Candor</i> ▪ <i>Attendance</i> ▪ <i>Preparedness</i> ▪ <i>Participation</i>
CEO/President	<i>None</i>	<i>None</i>

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
<i>first minor violation</i>	<i>reprimanded</i>
<i>second minor violation</i>	<i>suspension, duration of which shall depend on the gravity of the violation</i>
<i>third minor or first major violation</i>	<i>removal from office or directorship</i>

- signature page follows -

Pursuant to the requirement of the Securities and Exchange Commission, this updated Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Quezon on _____.

SIGNATURES

LEON L. LAO
Chairman of the Board

JOHN L. LAO
President

FILEMON T. BERBA, JR.
Independent Director

Independent Director

ALVIN D. LAO
Compliance Officer

SUBSCRIBED AND SWORN to before me this _____, affiant(s) exhibiting to me their valid proof of identification, as follows:

Name	Valid ID	Issued on
Leon L. Lao	Passport No. EB0366922	6/10/2010
John L. Lao		
Filemon T. Berba, Jr.	DL No. N11-60-007699	4/11/2012
Alvin D. Lao		

Doc No.: _____;
 Page No.: _____;
 Book No.: _____;
 Series of 2016.

D&L Industries, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

As at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014

(All amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information**1.1 Business information**

D&L Industries, Inc. (the “Parent Company” or “D&L”) was registered with the Securities and Exchange Commission (SEC) on July 27, 1971 primarily to carry on the business of buying, selling, importing, bartering, distributing, exchanging, processing, manufacturing, producing compounds, derivatives or chemical substances and all kinds of goods, wares, manufactures, such as but not limited to machines, supplies and all kinds of goods, wares and products and generally engage in and conduct any form of manufacturing or mercantile enterprises.

On July 2, 2012, the Parent Company’s Board of Directors (BOD) and stockholders, through an amendment of the Parent Company’s Articles of Incorporation, resolved to change the Parent Company’s primary purpose which is to invest in, purchase or otherwise acquire and own, hold, use, mortgage, pledge, exchange, or otherwise dispose of personal property of any corporation. The Parent Company is also engaged to carry on and conduct its business through any subsidiary companies or managers, or to enter into working agreements with other corporations including providing its subsidiaries corporate support services.

On November 5, 2012 and November 16, 2012, the SEC and Philippine Stock Exchange (PSE), respectively, approved the Parent Company’s application for the initial public offering. The Parent Company attained its status of being a “public company” on December 12, 2012 when it listed its share in the Philippine Stock Exchange (PSE).

As a public company, it is covered by Part I Section 2 A (i) of the Securities Regulation Code (SRC) Rule 68, as amended on October 20, 2011 and also covered by additional requirements under SRC Rule 68, as amended, Part II.

As at December 31, 2014, the Parent Company is 57.5% (2013 - 55%) owned and a subsidiary of Jadel Holdings, Inc. (JHI), 10.75% (2013 - 13.15%) owned by local individuals and 0.25% (2013 - 0.25%) owned by LBL Industries, Inc. The remaining 31.50% (2013 - 31.60%) of the shares outstanding are publicly held.

The Parent Company’s ultimate Parent Company is Banco de Oro Trust, organized and domiciled in the Philippines, with a group of local individuals as the beneficial owner.

As at December 31, 2014, the Parent Company has twenty-five (25) shareholders owning one hundred (100) or more shares each (2013 - 22; 2012 - 2).

The Parent Company's registered office address which is also its principal place of business is No. 65 Calle Industria, Bagumbayan, Quezon City, Metro Manila. As at December 31, 2014, the Parent Company has 167 regular employees (2013 - 165).

As at December 31, 2014, the consolidated financial statements include the Parent Company and its subsidiaries, namely, First in Colours, Incorporated, D&L Polymer and Colours, Inc., Aero-Pack Industries, Inc., and Oleo-Fats, Incorporated and Chemrez Technologies, Inc., and its subsidiary, Chemrez, Inc. The Parent Company and its subsidiaries are collectively referred to here as the "Group". As at December 31, 2013, the consolidated financial statements include the Parent Company and its subsidiaries, namely, First in Colours, Incorporated (FIC), D&L Polymer and Colours, Inc. (DLPCI), Aero-Pack Industries, Inc. (API) and Oleo-Fats, Incorporated (OFI).

The principal activities of the subsidiaries are set out below.

	Interest			Country of incorporation	Main activity
	2014	2013	2012		
First In Colours, Incorporated (FIC)	100%	100%	100%	Philippines	<p>FIC was registered with the SEC on November 17, 1988 primarily to carry on the business of importing, exporting, manufacturing and distributing at wholesale and retail chemical products, compounds, derivatives or chemical substances and generally, engage in and conduct any form of manufacturing or mercantile enterprises.</p> <p>As at December 31, 2011, FIC is 67% owned by the Parent Company, 22% owned by JHI and 11% owned by local individuals.</p> <p>On July 16, 2012, the Parent Company's BOD resolved to purchase the remaining 33% equity from other shareholders for a consideration of P112.1 million, which is equivalent to the fair value of FIC's net assets acquired at June 30, 2012 to obtain 100% ownership in FIC. Accordingly, there is no gain or loss, or goodwill arising from such acquisition. The share purchase agreement was signed by the parties and made effective on July 27, 2012. As a result, FIC became 100% owned by the Parent Company effective July 27, 2012.</p> <p>On October 30, 2012, FIC issued additional 193.5 million shares amounting to P193.5 million and was fully paid by the Parent Company on the same date.</p> <p>As at December 31, 2014 and 2013, FIC is a wholly-owned subsidiary of the Parent Company.</p>
Aero-Pack Industries, Inc. (API)	100%	100%	100%	Philippines	<p>API was incorporated and registered with the SEC on September 29, 1989 to engage in the manufacture of aerosol packaging materials, aerosol products, chemical derivatives and compounds and other related products.</p>

Note 18 - Other income, net

The components of other income (expenses) for the years ended December 31 consist of:

	Notes	2014	2013	2012
Freight income		18,420,791	12,107,302	12,629,760
Interest income	5, 3, 3	16,430,130	58,881,809	10,943,298
Rental income	19	767,228	351,850	264,249
Dividend income		311,077	149,526	404,179
(Loss) gain on disposal of property, plant and equipment	11	(111,122)	1,591,382	317,880,200
Foreign exchange loss, net	22	(4,467,397)	(28,770,486)	(9,064,575)
Miscellaneous		3,949,680	7,713,299	4,536,638
		35,300,387	52,024,682	337,593,749

Miscellaneous income pertains to laboratory and calibration services provided to customers.

Note 19 - Related party transactions and balances

The Group, in the ordinary course of business, has transactions with related parties. Significant related party transactions include the following:

For the years ended December 31:

	Terms and conditions	Transactions		
		2014	2013	2012
(A) Management service fees:				
<i>Shareholder</i>				
LBL Industries, Inc.	The fee for technical and logistics support services ranges from 2% to 3% of net receipts from operations, excluding intercompany sales, and those for administrative and executive management support services ranges from 3.5% to 7% of gross income from operations.	10,109,656	9,765,522	8,702,064
<i>Subsidiary</i>				
Oleo-Fats, Incorporated		-	-	188,524,070
<i>Entities under common control</i>				
Consumer Care Products, Inc.		14,334,975	10,400,494	8,432,609
FIC Tankers Corp.		2,335,307	1,952,609	634,823
FIC Marketing Co., Inc.		2,488,228	1,683,209	812,067
<i>Associate</i>				
Chemrez Technologies, Inc. and subsidiary	These are collectible on demand but not later than 12 months from reporting date.	118,508,788	106,054,065	94,632,705
		147,776,954	129,855,899	301,738,338

	Terms and conditions	Transactions		
		2014	2013	2012
(B) Rental income				
<i>Entity under common control</i>				
Consumer Care Products, Inc.	Lease rental are based on contracts agreed by the parties. These are payable on demand but not later than 12 months from reporting date.	369,625	344,464	228,818
		369,625	344,464	228,818
(C) Rental expenses:				
<i>Shareholder</i>				
LBL Industries, Inc.	Lease rental are based on contracts agreed by the parties. These are payable on demand but not later than 12 months from reporting date.	119,171,079	103,025,305	81,485,265
<i>Entities under common control</i>				
Ecozone Properties, Inc.	Lease rental are based on contracts agreed by the parties. These are payable on demand but not later than 12 months from reporting date.	27,087,475	25,861,500	24,489,259
FIC Tankers Corp.	Lease rental are based on contracts agreed by the parties. These are payable on demand but not later than 12 months from reporting date.	21,136,364	20,529,255	8,863,636
Malay Resources, Inc.	Lease rental are based on contracts agreed by the parties. These are payable on demand but not later than 12 months from reporting date.	14,398,569	14,000,000	1,600,000
<i>Associate</i>				
Chemrez Technologies, Inc. and subsidiary		5,531,722	5,898,006	10,244,078
		187,325,209	169,314,066	126,682,238
(D) Sale of goods:				
<i>Subsidiary</i>				
Oleo-Fats, Incorporated		-	-	930,557
<i>Entities under common control</i>				
FIC Marketing Co., Inc.	Sales of goods are negotiated with related parties on a cost-plus basis. These are collectible on demand but not later than 12 months from reporting date.	134,289,623	110,445,466	377,682,678
Consumer Care Products, Inc.	Sales of goods are negotiated with related parties on a cost-plus basis. These are collectible on demand but not later than 12 months from reporting date.	109,555,802	82,067,990	65,949,020
FIC Tankers Corp.	Sales of goods are negotiated with related parties on a cost-plus basis. These are collectible on demand but not later than 12 months from reporting date.	23,982	117,847	-
Malay Resources, Inc.	Sales of goods are negotiated with related parties on a cost-plus basis. These are collectible on demand but not later than 12 months from reporting date.	11,116	57,036	-
Hotel Acropolis, Inc.	Sales of goods are negotiated with related parties on a cost-plus basis. These are collectible on demand but not later than 12 months from reporting date.	7,098	-	-
<i>Associate</i>				
Chemrez Technologies, Inc. and subsidiary		155,639,416	132,123,813	68,824,146
		399,565,729	324,812,152	513,386,401
(E) Purchases:				
<i>Subsidiary</i>				
Oleo-Fats, Incorporated	Purchases of goods are negotiated with related parties on a cost-plus basis. These are payable on demand but not later than 12 months from reporting date.	-	-	3,165,931
<i>Entities under common control</i>				
FIC Marketing Co., Inc.	Purchases of goods are negotiated with related parties on a cost-plus basis. These are payable on demand but not later than 12 months from reporting date.	5,669,554	224,241	663,991
Consumer Care Products, Inc.	Purchases of goods are negotiated with related parties on a cost-plus basis. These are payable on demand but not later than 12 months from reporting date.	381,725	-	-
<i>Associate</i>				
Chemrez Technologies, Inc. and subsidiary		36,491,805	46,073,529	60,604,112
		42,543,084	46,297,770	64,434,034

	Terms and conditions	Transactions		
		2014	2013	2012
(F) Advances from:				
<i>Shareholders</i>				
Local individuals		-	-	135,412,382
<i>Entity under common control</i>				
Palmera Resources, Inc.		10,000,000	-	-
Ecozone Properties, Inc.	Advances are obtained for working capital purposes.	2,273,335	-	-
FIC Marketing Co., Inc.	These are non-interest bearing, unsecured, due on demand but not later than 12 months from reporting date.	1,475,215	-	-
FIC Tankers Corp.		500,000	-	-
Consumer Care Products, Inc.		500,000	-	-
LBL Industries, Inc.		30,000	-	-
Anonas LRT Property Dev't Corp.		-	69,867	106,129
<i>Associate</i>				
Chemrez Technologies, Inc. and subsidiary		-	-	120,000,000
		14,778,550	69,867	255,518,511
(G) Advances to:				
<i>Parent Company</i>				
Jadel Holdings, Inc.		-	-	10,000,000
<i>Entity under common control</i>				
FIC Marketing Co., Inc.	Advances are obtained for working capital purposes.	10,066,820	-	-
Indo Resources, Inc.	These are non-interest bearing, unsecured, due on demand but not later than 12 months from reporting date.	840,122	-	-
Consumer Care Products, Inc.		53,045	-	-
FIC Tankers Corporation		-	8,000,000	-
<i>Associate</i>				
Chemrez Technologies, Inc. and subsidiary		-	13,000,000	341,213,000
		10,959,988	21,000,000	351,213,000
(H) Purchase of CTI shares:				
<i>Parent Company</i>				
Jadel Holdings, Inc.	Purchase of shares following the tender offer made by the Parent Company over the outstanding shares of CTI	937,366,180	-	-
<i>Entity under common control</i>				
Color Chem Corporation		546,796,938	-	-
		1,484,163,118		

Net balances as at December 31:

Due from related parties

	Terms	Reference	2014	2013
<i>Parent</i>				
Jadel Holdings Co., Inc.			6,585,954	-
<i>Shareholder</i>				
LBL Industries, Inc.		A, B, D and E	7,773,805	-
Local individuals		G	43,437,978	-
<i>Entities under common control</i>				
FIC Marketing Co., Inc.	Amounts are settled in cash on a net basis.	A, D and E	38,662,482	3,014,486
Palmera Resources, Inc.	These are unsecured, non-interest bearing,	F	10,000,000	-
Consumer Care Products, Inc.	collectible on demand	A, C, and E	7,078,795	7,344,122
Ecozone Properties, Inc.	but not later than 12 months from reporting date.	B	2,332,735	-
Indo Resources, Inc.		B	840,122	59,400
Others		B	7,993	-
<i>Associate</i>				
Chemrez Technologies, Inc. and subsidiary		A, B, D and E	-	16,833,288
			116,719,864	27,251,296

Due to related parties

	Terms	Reference	2014	2013
<i>Shareholders</i>				
LBL	Amounts are settled in cash on a net basis.	A, B, D and E	4,668,391	1,607,607
Local individuals	These are unsecured, non-interest bearing,	F	-	357,699
<i>Entities under common control</i>				
Malay Resources, Inc.	payable on demand	A and D	9,233,103	14,000,000
FIC Tankers Corp.	but not later than 12 months from reporting date.	A and B	12,901,757	3,447,338
Anonas LRT Property Dev't Corp.		F	-	69,867
Others		F	381,725	-
			27,184,976	19,482,511

OFI was an associate until July 27, 2012 and a subsidiary from July 28, 2012 to December 31, 2013 (Note 1.1).

Chemrez Technologies and Chemrez Inc. were associates until October 6, 2014 and are subsidiaries from October 7, 2014 (Note 1.1).

There are no collaterals held or guarantees issued, except as disclosed under surety and corporate guarantee agreements, with respect to related party transactions and balances.

19.1 Management services

The Parent Company has an existing management agreement with its related parties, whereby it provides the following management 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 transport, fleet management, warehousing management, tank farm 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 agreement remains in force, unless terminated by both parties.

19.2 Lease agreements

D&L Industries, Inc. (DLI)

DLI has existing cancellable operating lease agreements with LBL Industries, Inc. (LBL), a shareholder, whereby the Group leases from LBL its factory and warehouse spaces. The lease is for a period of five years starting July 1, 2008 and renewable for another five years thereafter, unless terminated by either party.

Oleo-Fats, Incorporated (OFI)

OFI has existing cancellable operating lease agreements with LBL, an entity under common control, covering its factory and warehouse spaces. The lease runs for a period of one year and renewable every year thereafter, unless terminated by either party.

OFI has existing cancellable operating lease agreement with FIC Tankers Corporation (FICT), entity under common control, for the use of the latter's storage tanks. The agreement remains in force unless terminated by the parties.

OFI has existing cancellable operating lease agreements with Chemrez Technologies, Inc. (CTI), entity under common control, for the use of the latter's various machineries and equipment and storage tanks for a period of 5 years until December 31, 2012. This contract was terminated effective January 1, 2013.

OFI has a cancellable operating lease agreement with Malay Resources, Inc. (MRI), entity under common control, whereby the Company leases MRI's plant and warehouse facilities. The contract is effective from January 1, 2013 to December 31, 2013, renewable annually.

First in Colours, Incorporated (FIC)

FIC has entered into cancellable operating lease agreement with LBL, a shareholder, whereby FIC leases certain factory and warehouse spaces. The lease runs for a period of one year and renewable every year thereafter, unless terminated by either party. In February 2012, this agreement was terminated. On July 1, 2007, FIC entered into a cancellable lease agreement with CTI, an entity under common control, whereby FIC leases certain production and warehouse space. The lease runs for a period of five years starting from July 1, 2007 to June 30, 2012. Monthly rental is subject to an escalation of 5% annually starting on the second year of the lease term. The lease agreement was extended up to October 31, 2012 and renewed for another five (5) years.

Aero-Pack Industries, Inc. (API)

API has existing various cancellable operating lease agreements with LBL, a shareholder, whereby API leases certain factory and warehouse spaces. The lease runs for a period of five years starting May 1, 2007 up to April 30, 2012 and subject to an escalation of five percent annually and cumulatively starting on the second year of the lease term. The lease agreement was extended up to October 31, 2012. On October 31, 2012, the lease agreement was renewed for another five years with no significant changes to the previous agreement.

The minimum future rental commitments on the above leases as at December 31 are as follow:

	2014	2013
Not later than 1 year	5,883,990	5,650,498
Later than 1 year but not later than 5 years	11,684,622	17,568,612
	17,568,612	23,219,110

D&L Polymer and Colours, Inc. (DLPCI)

On October 1, 2009, DLPCI entered into a non-cancellable operating lease agreement with Ecozone Properties, Inc. (EPI), an entity under common control, covering the lease of its manufacturing warehouse for a period of five years up to October 1, 2014, with renewal options.

On January 1, 2010, DLPCI entered into another non-cancellable operating lease agreement with EPI, covering the lease of its warehouse for a period of five years up to January 1, 2015, with renewal options.

The minimum future rental commitments on the above lease of DLPCI at December 31 are as follows:

	2014	2013
Not later than 1 year	28,080,979	23,896,075
Later than 1 year but not later than 5 years	127,084,155	-
	155,165,134	23,896,075

19.3 Advances

The Group provides cash advances to its related parties, for working capital requirements, which are unsecured, non-interest bearing, due on demand, but not later than twelve months from reporting date.

19.4 Surety agreement

The Parent Company, its subsidiaries (namely, FIC, DLPCI, API, and OFI) and entities under common control (namely, CCPI and FICM) have an existing agreement to provide surety for the obligations and indebtedness incurred or may be incurred by all aforementioned related parties from short term credit accommodation extended by a local bank. As at December 31, 2014 and 2013, the Company and its related parties have not incurred any obligation and indebtedness related to this agreement (Note 3.5).

19.5 Corporate guarantee agreement

The Parent Company, its subsidiaries (namely, FIC, DLPCI, API, OFI and CHI) and entity under common control (namely, FICM), have an existing agreement to issue corporate guarantees in favor of a foreign bank to unconditionally guarantee the obligations of all aforementioned related parties from short term credit accommodation extended by a foreign bank. As at December 31, 2014 and 2013, the Parent Company and its related parties have not incurred any obligations and indebtedness related to this agreement (Note 3.5).

19.6 Key management compensation

Key management compensation for the years ended December 31 consist of:

	Terms	2014	2013	2012
Salaries and wages	Key management compensation	70,190,261	68,013,908	59,565,277
Retirement benefits	covering salaries and wages and	10,101,060	8,702,472	6,321,794
Other short term employee benefits	other short term benefits are determined based on contract of employment and payable in accordance with the Company's payroll period. These were fully paid at reporting date. Retirement benefits are determined and payable in accordance with policies disclosed in Notes 2.22 and 20.	9,574,244	8,512,848	7,750,094
		89,865,565	85,229,228	73,637,165

The Group has not provided share-based payments, termination benefits or other long term benefits, other than the retirement benefits, to its key management employees for the years ended December 31, 2014, 2013 and 2012.

As at December 31, 2014, advances to officers amounting to P10,659,535 (2013 - P4,997,291) represent loans granted to officers and employees. As at December 31, 2014 advances from officers amounting to P496,352 (2013 - P570,896) represent reimbursement of employees related to transportation and other expenses. These are unsecured and non-interest bearing advances and expected to be settled in cash within the next twelve months from reporting date.

Other related party transactions also include contributions to, benefits paid and investment in shares of stock of listed entities under common control by the retirement fund (Note 20).

March 20, 2015

Securities and Exchange Commission
SEC Building, EDSA corner
Ortigas Avenue, Mandaluyong City


**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of D & L Industries, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013 and, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Isla Lipana & Co., a member firm of the Worldwide PricewaterhouseCoppers Organization, the independent auditors, appointed by the stockholders, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


Leon L. Lao
Chairman of the Board


John L. Lao
President


Alvin D. Lao
Chief Finance Officer

D&L INDUSTRIES, INC.


65 Calle Industria, Bagumbayan, Quezon City, 1110 Philippines
(632) 635-0680 (632) 635-0703 info@dnl.com.ph www.dnl.com.ph



SUBSCRIBED AND SWORN to before me this MAR 20 2015 at QUEZON CITY
affiants exhibiting to me their passports and Driver's License Nos:

	Valid ID	Expiration/Place of Issuance
LEON L. LAO	PP EC3500873	Feb 2020/NCR Central
JOHN L. LAO	PP EB7387373	Feb 2018/Manila
ALVIN D. LAO	PP EC2844011	Nov 2019/NCR Northeast

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Series of 2015


ATTY. KRISTINE ANN C. CATINDIG
NOTARY PUBLIC
UNTIL DEC. 31, 2016
PTR NO. 0681650, 1-6-15, QC
IBP NO. 967423, 12-19-14, QC
TIN NO. 210-016-364 / ROLL NO. 52735

**D&L GROUP OF COMPANIES
ACCOMPLISHED/ON-GOING PROJECTS/PROGRAMS
FOR 2015**

PROJECTS			
ACCOMPLISHED (A)			
Project	Officer-in-Charge	Address	Project Location/Partner
EDUCATIONAL ASSISTANCE/SCHOLARSHIP PROGRAM			
1. LFI-CFFI College Scholarship Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Charity First Foundation, Inc.
2. LFI-Don Bosco TechVoc Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Don Bosco PUGAD Foundation
3. LFI-DualTech TechVoc Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	DualTech Training Center Foundation
2. LFI-D&L Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	D&L Industries
2. LFI-PSHSFI High School Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Philippine Science High School Foundation, Inc.
2. LFI-MLBMFI Special Education Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Maria Lena Buhay Memorial Foundation, Inc.
EDUCATIONAL SPONSORSHIP PROGRAM			
1. Bagumbayan Elementary School Educational Sponsorship Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Bagumbayan Elementary School
2. LFI-BINHI English Literacy Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	BINHI English Literacy Foundation Bagumbayan Elementary School, QC Libis Elementary School, QC T. Earnshaw Elementary School, Manila City San Ramon Elementary School, Laguna Brgy. 898 Sta Ana, Manila Day Care Center Brgy. 894 Sta. Ana, Manila Day Care Center
TEACHERS WELFARE PROGRAM			
1. LFI-PCF Teachers' Salary Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Philippine Christian Foundation, Inc.
2. Evelyn Lee Lao Teachers Welfare Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	GCHS Project BLESS Foundation, Inc.
EDUCATIONAL EXCELLENCE AWARDS PROGRAM			
Lao Boh Lim Educational Excellence Awards	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	D&L Group of Companies
COMMUNITY OUTREACH PROGRAM			
1. Sagip Buhay Project – Bloodletting Activity	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Philippine General Hospital
2. Pamaskong Handog	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Bagumbayan Elementary School
3. LFI-D&LHRD-NHFPI Lunas Tradisyonal	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	D&L Industries HRD Natural Health Foundation of the Philippines, Inc.

ON-GOING (O)			
EDUCATIONAL ASSISTANCE/SCHOLARSHIP PROGRAM			
1. LFI-CFFI College Scholarship Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Charity First Foundation, Inc.
2. LFI-Don Bosco TechVoc Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Don Bosco PUGAD Foundation
3. LFI-DualTech TechVoc Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	DualTech Training Center Foundation
2. LFI-D&L Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	D&L Industries
2. LFI-PSHSFI High School Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Philippine Science High School Foundation, Inc.
2. LFI-MLBMFI Special Education Educational Assistance Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Maria Lena Buhay Memorial Foundation, Inc.
EDUCATIONAL SPONSORSHIP PROGRAM			
1. Bagumbayan Elementary School Educational Sponsorship Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Bagumbayan Elementary School
2. LFI-BINHI English Literacy Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	BINHI English Literacy Foundation Bagumbayan Elementary School, QC Libis Elementary School, QC T. Earnshaw Elementary School, Manila City San Ramon Elementary School, Laguna Brgy. 898 Sta Ana, Manila Day Care Center Brgy. 894 Sta. Ana, Manila Day Care Center
TEACHERS WELFARE PROGRAM			
1. LFI-PCF Teachers' Salary Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	Philippine Christian Foundation, Inc.
2. Evelyn Lee Lao Teachers Welfare Project	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	GCHS Project BLESS Foundation, Inc.
EDUCATIONAL EXCELLENCE AWARDS PROGRAM			
Lao Boh Lim Educational Excellence Awards	Maria Cristina E. Viray	65 Industria St. Bagumbayan, Quezon City	D&L Group of Companies

2015 Annual Physical Examination (APE) Profile Report

D&L Group of Companies

<i>Participants</i>	<i>Targeted</i>			<i>Actual No. and Data</i>			
	<i>MMIa</i>	<i>Laguna</i>	<i>Total</i>	<i>MMIa</i>	<i>Laguna</i>	<i>Total</i>	<i>%</i>
EEs	504	25	529	490	23	513	96.98%
Consultants	11	0	11	8	0	8	72.73%
Total	515	25	540	498	23	521	84.85%

TOP ILLNESS CLASSIFICATION

2015	
Dyslipidemia/ Elevated LDL	334
Overweight	173
with ECG Findings	158
Error of Refraction	127
Pre - Hypertension	120
Low HDL Level	98
Hypertension Stage 1	73
Hypertension Stage 2	59
Hyperuricemia	56
Diabetes / Elevated Glucose Lev	54

Class	Description	APE 2015	
		Total	
		513	100%
CLASS A	Physically fit	0	0%
CLASS B	Physically fit but with minor ailments curable within short period of time that will not affect employees' efficiency	104	20.27%
CLASS C	With non-disabling conditions and laboratory findings that must be controlled & maintained by medication, regular medical follow-up is recommended.	349	68.03%
PENDING	To complete APE	60	11.70%

D&L GROUP OF COMPANIES SAFETY COMMITTEE SUMMARY REPORT FOR YEAR 2015

1. Safety program accomplishment

- 100% implementation on the following strategy plan:
 - a. Human Behavior towards safety
 - b. Learn from accident (accident reporting)
 - c. Lead indicator (Safety audit)
 - d. Contractor safety
 - e. Training and education
 - f. Road transport safety
 - g. Fire safety and emergency preparedness
 - h. Lag indicator(Safety reporting)

2. Safety performance

D & L ACCIDENT INDEX SUMMARY COMPARISON

Year	2014	2015	Remarks
Total Number of minor accident	13	19	Increased by 46%
Total Disabling accident (minor first aid injury)	8	15	Increased by 87
Total Non disabling accident (no lost time)	5	4	Reduced by 20%
Total days lost	74	113	Increased by 52%
Severity rate	23.2	26.2	Increased by 12%
Frequency rate	2.5	3.4	Increased by 36%
Total D & L man hours (Estimated)	3,193,334	3,799,296	Increased by 18%
Total number of employees	1344	1552	Increased by 15%

Q1 2015 TRAININGS

No.	Type	Seminars	Dates	Duration	Speaker / Seminar Provider
1	Outsourced	Critical Thinking Seminar	January 21 to 22, 2015	16.00	People Dynamics Inc.
2	Insourced	Competency Based Training Needs Analysis	January 22, 2015	4.00	Angie Borja
3	Outsourced	IT Project Management Seminar	January 22 to 23, 2015	16.00	SAS Management Inc.
4	Outsourced	Role of Supervisor in Safety	January 23, 2015	8.00	Engr. Jaime Reyes
5	Insourced	Lab Tech Re-Qualification Program	January 29, 2015	4.00	Ramon Taniola and Jay Roy Espinas
6	Insourced	Competency Based Training Plan Preparation	January 29, 2015	4.00	Angie Borja
7	Insourced	Lab Tech Re-Qualification Program Batch 2	January 30, 2015	4.00	Ramon Taniola and Jay Roy Espinas
8	Outsourced	Hazard Analysis Critical Control Point	February 6 & 10, 2015	16.00	Ms. Grace Alfonso-Fabay
9	Outsourced	Basic Occupational Safety & Health Seminar	February 9 to 13, 2015	40.00	SOPI
10	Outsourced	MRI HACCP Training	February 11, 12 & 13, 2015		Ms. Grace Alfonso-Fabay
11	Insourced	Briefing New Chemistry Law	February 23, 2015	4.00	Ramon Taniola and Jay Roy Espinas
12	Insourced	Briefing New Chemistry Law PRC Licensing	February 23, 2015	4.00	Mr. Ramon Taniola
13	Insourced	Train the Trainers for Contractors	February 23, 2015	4.00	Ms. Angie Borja & Ms. Lyn Valen
14	Outsourced	Training Assistant Development Program	February 26 to 27, 2015	16.00	ATENEO CORD
15	Insourced	Aspect Impact/Hazard Risk Assessment	February 27, 2015	4.00	Mr. Romeo Tagarao
16	Insourced	Safety Training Observation Program	February 27, 2015	3.00	Mr. Ramon Taniola
17	Outsourced	CERM Report	March 06, 2015	4.00	Mr. Sylvain Brousseau
18	Outsourced	QPIRA for Center for Cosmetic Regulation and Res	March 9 to 10, 2015	16.00	Food and Drug Administration
19	Insourced	2015 GMP/HACCP Seminar - Batch 1	March 11, 2015	4.00	Ms. Lyn Valen
20	Outsourced	QPIRA for Center for Food Regulation and Researc	March 12 to 13, 2015	16.00	Food and Drug Administration
21	Outsourced	Preparing Individual & Corporate Income Tax for A	March 14, 2015	3.50	IPG Training Institute for Professional Advancement
22	Insourced	2015 GMP/HACCP Seminar - Batch 2	March 18, 2015	4.00	Ms. Lyn Valen
23	Outsourced	Sanjin Pest Exterminator Services	March 23, 2015	3.00	Ms. Beverlyn Baclao
24	Outsourced	FSSC 22000:2013 for Food Manufacturing	March 25 to 26, 2015	16.00	Ms. Grace Alfonso-Fabay
25	Insourced	Marketing SWOT Plan Analysis	March 20, 2015	4.00	Mr. Ramon Taniola
26	Insourced	Critical Thinking	March 26 & April 1, 2015	8.00	Mr. Ramon Taniola
27	Outsourced	HIV-AIDS Seminar	March 30, 2015	2.00	Quezon City Health Office
28	Insourced	2015 GMP/HACCP Seminar - Batch 3	March 31, 2015	4.00	Ms. Lyn Valen

Q2 2015 TRAININGS

No.	Type	Seminars	Dates	Duration	Speaker / Seminar Provider
1	Outsourced	CERM Compliance Report & Sustainability Plan	April 07, 2015	4.00	Sylvain Brosseau
2	Outsourced	Internal Auditor's Calibration Seminar	April 8 & 17, 2015	16.00	Ms. Grace Alfonso-Fabay
3	Insourced	Aspect Impact / Hazard Risk Assessment	April 15, 2015	4.00	Mr. Romeo Tagarao
4	Outsourced	Using Audits to Enhance Competitive Edge of Organizations	April 15 to 16, 2015	16.00	Rosehall
5	Insourced	Communication with Gov't Officials during Emergency	April 16, 2015	8.00	Mr. Gil Ofina
6	Outsourced	Requirements for (GMP) in Handling & Processing of Foods	April 21, 2015	9.00	FDA
7	Outsourced	Financial Controls & Internal Audit of NGO's	April 21 to 22, 2015	16.00	Center for Internal Audit Service Philippines (CIASP)
8	Outsourced	Measurement of Uncertainty	April 22, 2015	8.00	Dr. Edgar Paski
9	Outsourced	Internal Audit Awareness	April 22, 2015	3.00	KPMG
10	Outsourced	Enhancing Customer Value Through LEAN	April 24, 2015	7.50	Technopoly
11	Outsourced	Innovationeering 2015: Product Innovation & Reverse Engine	April 27 to 28, 2015	16.00	NASAT Corporation
12	Outsourced	Product Innovation & Reverse Engineering	April 30, 2015	4.00	Prof. Rigoberto C. Advincula PhD.
13	Outsourced	Packaging 101 Seminar	April 30 & May 4, 2015	8.00	Mr. Virgilio delos Reyes
14	Outsourced	Seminar on the Safe Use of Chemicals at Work	May 6 to 8, 2015	24.00	DOLE OSHC
15	Insourced	Aspect Impact / Hazard Risk Assessment	May 08, 2015	8.00	Mr. Romeo Tagarao
16	Outsourced	3th CIA Seminar Certification Review Program	May 9 to June 6, June 20 to J	128.00	II-A Centre for Professional Development
17	Outsourced	36th National Conference of Employers (NCE36) "The Ultimat	May 14 to 15, 2015	14.00	ECOP
18	Outsourced	CERM Report Presentation	May 15, 2015	3.00	Sylvain Brosseau
19	Outsourced	Dale Carnegie: Effective Communication and Human Relatio	May 16 to August 16, 2015 (Si	36.00	Executive Training Institution
20	Outsourced	Hazard Analysis Critical Control Point Training (HACCP)	May 16, 23 & June 6, 2015	24.00	Grace Fabbay
21	Outsourced	Best Business Practices on How to Set up an Internal Audit S	May 19 to 20, 2015	14.00	Center for Global Best Practices
22	Outsourced	Value Selling & Pricing Strategies	May 22, 23 & 29, 2015	12.00	Rolly Reyes
23	Outsourced	DD/MSW Team Building	May 23 to 24, 2015	16.00	Mon Taniola / Camp Benjamin
24	Outsourced	Work Environmental Measurement (WEM)	May 27, 2015	4.00	Mr. Jun Barnes

25	Outsourced	SSS In Depth Seminar	June 1 to 4, 2015	32.00	SSS
26	Outsourced	Financial/Investment Company Product Presentation	June 10, 2015	4.00	-
27	Insourced	3D Roll Out	June 15, 2015	3.00	Mr. Ramon Taniola
28	Outsourced	SSS In Depth Seminar	June 15 to 18, 2015	32.00	SSS
29	Insourced	IMS Orientation Batch 1	June 17, 2015	3.50	Ms. Agnes De Luna
30	Outsourced	How to Really Read Financial Statements	June 18 to 19, 2015	16.00	Center for Global Best Practices
31	Outsourced	Structural Elucidation of Organic Compound by IR, GC-MS, N	June 18 to 19, 2015	14.00	NASAT
32	Outsourced	Control Charting	June 19, 2015	8.00	PIPAC
33	Outsourced	Protective Relaying	June 20, 27 & July 4, 11, 18, 2	40.00	DELTA POWER Engineering and Consulting
34	Outsourced	My TRIZ - Level 1 Certification UP ISSI	June 22 to 23, 2015	16.00	UP
35	Outsourced	Annual Auditors Training Series 6: Advanced Track - Audit U	June 24, 2015	8.00	Rosehall
36	Insourced	3D Roll Out for OFI & CCPI Group	June 25, 2015	3.00	Mr. Ramon Taniola
37	Insourced	Supply Chain Orientation Batch 1	June 25, 2015	4.00	Mr. Mike Navarro
38	Outsourced	Laguna Lake Development Authority	June 26, 2015	8.00	LLDA
39	Outsourced	Forklift Safety Seminar	June 30, 2015	4.00	TOYOTA Handling

Q3 2015 TRAININGS

No.	Type	Seminars	Dates	Duration	Speaker / Seminar Provider
1	Insourced	IMS Orientation Batch 2	July 03, 2015	3.00	Agnes De Luna
2	Outsourced	Ateneo SET (Delta) Examination	July 08, 2015	4.00	Ateneo
3	Insourced	Statistical Process Control	July 9, 16, 23, & 30, 2015	12.00	Henry Siy
4	Insourced	Supply Chain Orientation Batch 2	July 10, 2015	3.00	Mike Navarro
5	Insourced	Lab Waste Management and Risk Assessment Workshop	July 10, 2015	3.00	Jay Roy Espinas
6	Insourced	Process Safety Management	July 13, 2015	3.00	Jay Roy Espinas
7	Outsourced	ISO / IEC 17025-2005 Foundation Course	July 14, 2015	8.00	SGS Academy
8	Insourced	Aspect Impact & Hazard Risk Seminar	July 16, 2015	3.00	Romeo Tagarao
9	Outsourced	ISO / IEC 17025-2005 Internal Audit Course	July 20 to 21, 2015	16.00	SGS Academy
10	Outsourced	199th OHNAP Post Graduate Course on Basic Occupational S	July 20 to 25, 2015	48.00	OHNAP
11	Outsourced	8th National HR Summit	July 23 to 24, 2015	16.00	ARIVA
12	Outsourced	Forklift Safety Seminar Batch 1	July 25, 2015	8.00	Brian R. Balasabas
13	Outsourced	BRC Food Safety Issue 7 Training	July 27 to 29, 2015	24.00	Ms. Grace Alfonso-Fabay
14	Outsourced	Comprehensive Introduction to JAVA programming: Hands-on	July 27 to 31, 2015	40.00	Raf Lopez
15	Outsourced	Business Tax Compliance & Managing Income Tax Assessme	July 31, 2015	8.00	Atty. Nelson Gargoles
16	Insourced	Microsoft Excel Batch 1	July 31 & August 7, 2015	8.00	Joy Garillo
17	Outsourced	Breakthrough Coaching Workshop	July 31 & August 7, 2015	16.00	May SJ Soriano
18	Outsourced	Forklift Safety Seminar Batch 2	August 01, 2015	8.00	James Patrick Solis
19	Outsourced	Speed Reading & Good Study Habits	August 06, 2015	4.00	Sheila Viesca
20	Insourced	Microsoft Excel Batch 2	August 5 & 12, 2015	8.00	Joy Garillo
21	Outsourced	Developing Mobile Applications with Android	August 11 to 14, 2015	32.00	Gavin Lim
22	Outsourced	ITIL 2011 Foundation	August 12 to 14, 2015	24.00	Mr. Deep Rawat
23	Outsourced	Loss Control Management	August 17 to 21, 2015	40.00	SOPI
24	Outsourced	Basic Pollution Control Officers Training	August 25 to 28, 2015	40.00	
25	Outsourced	COL Financial Seminar	August 27, 2015	2.00	COL Financial
26	Insourced	Accounting for Non-Accountants	August 27, 2015	2.00	Accounting
27	Outsourced	Establishing Documents and Records Control Seminar Works	August 28, 2015	8.00	ROSEHALL

28	Outsourced	BPI PERA Seminar	September 03, 2015	1.50	
29	Outsourced	Allergen Awareness Refresher's Seminar	September 04, 2015	3.00	Sarah Ibasco
30	Outsourced	Packaging Technology Course	September 07 to 12, 2015	48.00	Packaging Institute of the Phils
31	Outsourced	Food Safety Culture Seminar Batch 1	September 08, 2015	3.00	Mr. Jun Barnes
32	Outsourced	Food Safety Culture Seminar Batch 2	September 08, 2015	3.00	Mr. Jun Barnes
33	Outsourced	Rheology Analysis	September 8 to 9, 2015	16.00	Dr. Ray Fernando
34	Outsourced	13th ECOP MGM "The Use of PMS Ratings:Real or Fad"	September 10, 2015	4.00	Employers Confederation of the Philippines
35	Outsourced	Preparing a Quality Manual for Chemical Testing and Calibrati	September 10 to 11, 2015	16.00	Integrated Chemist of the Philippines
36	Inourced	Supply Chain Refresher Course	September 15, 2015	1.00	Ramon Taniola
37	Inourced	5S Concept of Good Housekeeping and Behavioral Based Saf	September 18, 2015	3.00	Generoso Roque
38	Inourced	TESDA Validation on Comptencies	September 22, 2015	1.00	-
39	Inourced	Supply Chain Refresher Orientation	September 22, 2015	1.00	-
40	Outsourced	TESDA Validation on Competencies	September 23, 2015	8.00	
41	Outsourced	Material Analysis (FTIR, TGA, PS)	September 23, 2015	4.00	Dr. David Penaloza
42	Outsourced	FDIS ISO 14001: 2015 A Seminar in draft revisions to EMS req	September 24, 2015	3.50	Certificate National Philippines
43	Outsourced	Basic First Aid & Basic Life Support - CPR	September 24, 2015	8.50	Michel Betita
44	Outsourced	Warehousing & Supply Management	September 28 to 29, 2015	12.00	Vic Ramil
45	Inourced	5S Concept of Good Housekeeping	September 29, 2015	2.00	Generoso Roque
46	Inourced	5S Concept of Good Housekeeping	September 30, 2015	3.00	Generoso Roque

Q4 2015 TRAININGS

Type	Seminars	Dates	Duration	Speaker / Seminar Provider
1 Insourced	Trainer Skills Workshop	October 2 & 8, 2015	7.00	Zara Guisando
2 Outsourced	QMRTS10: Making the QMS more relevant to the business use	October 6 to 7, 2015	16.00	Rosehall Management Consultants, Inc.
3 Outsourced	PCO Training Course (Module 1-5)	October 6 to 9, 2015	40.00	Environmental Training Institute
4 Outsourced	Assessing Risk: Ensuring Internal Audit Value	October 8 to 10, 2015	24.00	IIA-P Centre for Professional Development
5 Outsourced	Audit of Marketing & Sales	October 9 to 10, 2015	16.00	Institute of Internal Auditors Philippines, Inc.
6 Outsourced	Audit Rating System	October 10 & 17, 2015	16.00	Institute of Internal Auditors Philippines, Inc.
7 Outsourced	6231B: Maintaining a Microsoft SQL Server 2008 R2 Database	October 10, 17 & November 7, 14,	35.00	Edupro Inc.
8 Insourced	MS Excel 2010 Training Batch 1	October 13 & 15, 2015	8.00	Michelle Palatino, Grace Manalo, & Shella Mendoza
9 Outsourced	PCO Training Course (Module 1-5)	October 13 to 16, 2015	40.00	Environmental Training Institute
10 Insourced	CTI Powder Coating Demand Planning Workshop	October 15, 2015	2.00	Ramon Taniola
11 Outsourced	Audit Analysis	October 15 to 16, 2015	7.50	Institute of Internal Auditors Philippines, Inc.
12 Outsourced	HRD Clinic and Medicaid Orientation Batch 1	October 19, 2015	1.50	MIS, HR, Medicaid
13 Outsourced	HRD Clinic and Medicaid Orientation Batch 2	October 19, 2015	1.00	MIS, HR, Medicaid
14 Insourced	Basics in Service Excellence	October 20, 2015	1.00	Zara Guisando
15 Outsourced	HRD Clinic and Medicaid Orientation	October 21, 2015	1.00	MIS, HR, Medicaid
16 Outsourced	Basic GC Instrument Maintenance and Troubleshooting	October 21 to 22, 2015	14.00	Mr. Rolan Parangan
17 Outsourced	HRD Clinic and Medicaid Orientation	October 22, 2015	1.00	MIS, HR, Medicaid
18 Insourced	MS Excel 2010 Training Batch 2	October 22 & 27, 2015	8.00	Michelle Palatino, Grace Manalo, & Shella Mendoza
19 Outsourced	HRD Clinic and Medicaid Orientation	October 23, 2015	1.00	MIS, HR, Medicaid
20 Outsourced	Hazmat Technician Level Training	October 23, 24 & 25, 2015		Canadian Emergency and Risk Management, Inc.
21 Insourced	Trainer Skills Workshop	October 28, 2015	2.00	Zara Guisando
22 Insourced	Online VL Application Orientation	October 28, 2015	1.00	HR & MIS
23 Insourced	Online VL Application Orientation	October 29, 2015	1.00	HR & MIS
24 Outsourced	Food Service Nutrition	October 29, 2015	1.00	
25 Outsourced	Sunlife	October 29, 2015	1.50	Vira Monzon
26 Outsourced	Fire Fighting Equipment Seminar	October 30, 2015	3.50	Nestor Buena
27 Insourced	Online VL Application Orientation	November 03, 2015	1.00	HR & MIS
28 Insourced	Christmas Party Meeting with New Employees	November 04, 2015	1.50	
29 Outsourced	Mercer Total Remuneration Post Survey Meeting	November 04, 2015	4.00	Mercer Philippines, Inc.

30	Outsourced	ACIIA Conference - The New Normal in Internal Auditing	November 4, 5, 6, 2015	24.00	Institute of Internal Auditors Philippines, Inc
31	Outsourced	New Rules on Just and Authorized Courses of Employee Termination	November 05, 2015	4.50	Kairos Management Technologies
32	Outsourced	Fire Fighting Equipment Seminar	November 05, 2015	3.50	Nestor Buena
33	Outsourced	The 14th Asia Pacific Responsible Care Conference (APRCC)	November 5 to 7, 2015	24.00	APRCC 2015
34	Insourced	2016 Merit Increase and other HR Development Meeting	November 06, 2015	1.50	Ramon Taniola
35	Outsourced	2015 Distinguished Corporate Governance Speaker Series	November 06, 2015	2.50	Institute of Corporate Directors - Philippines
36	Outsourced	5th Philippines Manufacturing Conference: "On the Road to Manufacturing Excellence"	November 6 to 7, 2015	16.00	SME Manila Chapter 165 Corp.
37	Outsourced	BLS-Adult CPR & First Aid Training	November 6, 13 & 20, 2015	24.00	Philippine Red Cross
38	Outsourced	Basic Occupational Safety and Health	November 9 to 13, 2015	40.00	SOPI
39	Outsourced	13 ASEAN Modules & GMP For Cosmetic Manufacturers and Distributors	November 10 to 11, 2015	16.00	FDA Philippines
40	Outsourced	The New DOLE Department Order 147-15: Application of Just Cause	November 12, 2015	4.00	ECOP
41	Insourced	Proper Handling of Chemicals	November 14, 2015	3.00	Mr. Romeo Tagarao
42	Outsourced	Subcontracting and the New Developments and Issues on Labor Laws	November 16, 2015	7.00	Employers Confederation of the Philippines
43	Outsourced	BOSH Seminar for Construction Site Safety Officers	November 16 to 20, 2015	40.00	SOPI
44	Outsourced	Reducing Tax Risk and Exposure & Techniques in BIR Tax and Audit	November 24, 2015	8.00	The Entrepreneur's Academy
45	Outsourced	Complementary Medicine as Path to Health	November 26, 2015	4.00	ECOP
46	Outsourced	ISO 9001: 2003 QMS Root Cause Analysis and Corrective Action	November 26 to 27, 2015	16.00	Philippine Trade Training Center
47	Outsourced	Auditing the Business Continuity Management System	November 26 to 28, 2015	24.00	Institute of Internal Auditors Philippines, Inc
48	Insourced	Demand Planning Meeting	November 27, 2015	4.00	
49	Outsourced	Identify where the unproductive 6 hours went from a typical 8-hour workday	November 27, 2015	3.50	YEO
50	Outsourced	GMP for Food Manufacturer & Trades as per A.O. 153 s. 2004	November 27, 2015	8.00	FDA Philippines
51	Outsourced	Opening Plenary - Coaching	December 02, 2015	1.00	Rachel Consunji
52	Insourced	Hot-works (Welding and Cutting) Safety	December 05, 2015	3.00	Mr. Romeo Tagarao
53	Outsourced	Ateneo Sit-In	Various Dates		
	Outsourced	Methanol Safety Handling Orientation	December 22, 2015	1.50	Himmel
54	Outsourced	VAM Safety Handling Orientation	December 22, 2015	1.50	Himmel

REPUBLIC OF THE PHILIPPINES)
Quezon City) s.s

PASIG CITY

SECRETARY'S CERTIFICATE

I, **KRISTINE ANN C. CATINDIG-ONG**, Filipino, of legal age, and with address at 65 Industria St., Bagumbayan, Quezon City, as the duly elected Assistant Corporate Secretary of D&L Industries, Inc. (the "Corporation"), do hereby certify that the following are the changes/updates in the Corporation's Annual Corporate Governance Report covering the year 2015:

ACGR Item	Change/Update
A.1.a - Composition of the Board	Updated the number of years served as director of all the directors
A.1.e - Shareholding in the Company	Updated the number of direct and indirect shares and % of capital stock of all concerned directors
A.5.a - Resignation/ Death/ Removal	Updated the changes in the composition of the Board of Directors
C.2 - Attendance of Directors	Updated the attendance of the Directors
C.7 - Change/s in Existing Policies	Reflected the changes in Dividend Policy
E.2.a - Executive Committee	Updated information on the date of appointment of the directors, number of meetings held, attendance and length of service in the Committee of the directors (please see attached Certificate on the results of the organizational meeting)
E.2.b - Audit Committee	Updated information on the date of appointment of the directors, number of meetings held, attendance and length of service in the Committee of the directors (please see attached Certificate on the results of the organizational meeting)
E.2.c - Nomination Committee	Updated information on the date of appointment of the directors, number of meetings held, attendance and length of service in the Committee of the directors (please see attached Certificate on the results of the organizational meeting)
E.2.d - Remuneration Committee	Updated information on the date of appointment of the directors, number of meetings held, attendance and length of service in the Committee of the directors (please see attached Certificate on the results of the organizational meeting)
I.1.a - Holding 5% shareholding or more	Updated information on shareholders holding 5% or more and shareholdings of directors and officers
J.1.c - Stockholders' Rights	Updated dividend information (Please see attached Secretary's Certificate)
J.1.d to J.1.i	Updated information on the 2015 Annual Stockholders' Meeting

IN WITNESS WHEREOF, I have hereunto set my hand this _____ at Quezon City, Philippines.


KRISTINE ANN C. CATINDIG-ONG
Asst. Corporate Secretary

PASIG CITY

APR 01 2016

SUBSCRIBED AND SWORN TO BEFORE ME this April 14, 2015 in Quezon City, affiant exhibited to me her Driver's License No. D12-99-049415 expiring on May 11, 2016.

Doc. No. 427
Page No. 08
Book No. 32
Series of 2016.


MARIA THERESA E. PATULA
Notary Public
Serial No. of Commission 152
Commission expires on 12-31-16
Roll of Attorney's No. 53971
IBP No. 1029912 PTR No. 720627



110272015001391



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Type Stock Corporation

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COVER SHEET

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D & L I N D U S T R I E S I N C

(Company's Full Name)

6 5 I N D U S T R I A S T B A G U M B A Y A N
Q U E Z O N C I T Y

(Business Address: No. Street City / Town / Province)

ALVIN D. LAO
Contact Person

635-0680
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-C Dividend Policy Amendment
FORM TYPE

0 6 0 8
Month Day
Annual Meeting

Secondary License Type, if Applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report: October 26, 2015
2. SEC Identification Number: 44852
3. BIR Tax Identification No.: 000-421-957-000
4. Exact name of issuer as specified in its charter: D&L Industries, Inc.
5. Province, country or other jurisdiction of incorporation: Metro Manila
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: 65 Industria St., Bagumbayan, Quezon City
Postal Code: 1110
8. Issuer's telephone number, including area code: (02) 635-0680
9. Former name or former address, if changed since last report: not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Common
Number of Shares of Common Stock Outstanding	7,142,857,990 as at Sept. 30, 2015
Amount of Debt Outstanding	4,493,817,608 as at Sept. 30, 2015

11. Indicate the item numbers reported herein:

Item No. 9 Amendment of Dividend Policy

At the meeting of the Board of Directors of **D&L Industries, Inc.** (the "Corporation") held today, 26 October 2015, the Board, after reviewing the Corporation's operating expenses, business plans, working capital requirements, cash flow position and capital expenditure requirements, approved the amendment/revision of the Corporation's dividend policy FROM declaring a dividend payout rate of 25% of its prior year's consolidated net income (based on the Resolution dated 02 October 2012) **TO 50% of its prior year's consolidated recurring net income, to be paid out of from the Corporation's available unrestricted retained earnings.** The Dividend Policy of the Corporation now read as follows:

"The Company shall declare at least 50% of its prior year's consolidated recurring net income as dividends in favor of the stockholders of record date to be determined by the Board. The dividends shall be payable out of the available unrestricted retained earnings in cash, stock or property, or a combination of the three, as may be determined by the Board, and subject to compliance with applicable laws, rules and regulations. The dividends to be received by the stockholders shall be based on the recommendation of the Board after considering factors such as the Company's operating expenses, implementation of business plans, working capital requirements, cash flow position and capital expenditure requirements, among other factors."
(Emphasis supplied)

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

D&L INDUSTRIES, INC.

Issuer

A handwritten signature in black ink, appearing to read 'ALVIN D. LAO', is written over the printed name and title.

ALVIN D. LAO
EVP and CFO

October 26, 2015



08 June 2015

PHILIPPINE STOCK EXCHANGE

Listings and Disclosure Group
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Gentlemen:

Please be advised that at the annual meeting of the stockholders of D&L Industries, Inc. held at WackWack Golf & Country Club, Mandaluyong City, Metro Manila on June 8, 2015 at 8:30 a.m., the following matters were taken up and acted upon by the Stockholders in the manner indicated:

The stockholders elected the following as members of the Board of Directors to serve for the term 2015-2016:

- 1. Mr. Dean L. Lao
- 2. Mr. Leon L. Lao
- 3. Mr. Yin Yong L. Lao
- 4. Mr. John L. Lao
- 5. Mr. Alex L. Lao
- 6. Amb. Cesar B. Bautista - Independent Director
- 7. Mr. Filemon T. Berba Jr. - Independent Director

At the organizational meeting of the newly elected Directors following the annual stockholders' meeting, the following were elected Corporate Officers:

Chairman	Mr. Leon L. Lao
Chairman Emeritus	Mr. Dean L. Lao
Vice-Chairman	Mr. Yin Yong L. Lao
President and CEO	Mr. John L. Lao
Executive Vice-President	Mr. Alvin D. Lao

D&L INDUSTRIES, INC.

65 Calle Industria, Bagumbayan, Quezon City, 1110 Philippines
☎(632) 635•0680 ☎(632) 635•0703 ✉info@dnl.com.ph 🌐www.dnl.com.ph



Treasurer/CFO
Corporate Secretary
Asst. Corp. Secretary
Compliance Officer
Corporate Information Officer
And Corporate Legal Counsel

Mr. Alvin D. Lao
Mr. Arthur R. Ponsaran
Ms. Kristine Ann C. Catindig-Ong
Mr. Alvin D. Lao
Ms. Kristine Ann C. Catindig-Ong

Likewise, the directors appointed Managing Directors pursuant to the managing agreements between the Corporation and its subsidiaries and appointment to these positions in senior management were made known and accepted by the following:

Chemrez Technologies, Inc. - Mr. Dean A. Lao, Jr.

First in Colours, Incorporated and
D&L Polymer and Colours, Inc. - Mr. Lester A. Lao

Oleo-Fats, Incorporated - Mr. Vincent D. Lao

At the same meeting the Board constituted the Executive Committee, the Audit Committee, the Nomination Committee, and the Remuneration Committee for the term 2015-2016, as follows:

Executive Committee:

Chairman: Mr. Dean L. Lao
Members: Mr. Leon L. Lao
Mr. Yin Yong L. Lao
Mr. John L. Lao
Mr. Alvin Lao

Audit Committee:

Chairman: Amb. Cesar B. Bautista
Members: Mr. Filemon T. Berba, Jr.
Mr. Yin Yong L. Lao

Nomination Committee:

Chairman: Mr. Leon L. Lao
Members: Mr. John L. Lao
Mr. Filemon T. Berba, Jr.


Remuneration Committee:

Chairman
Members:

Mr. Yin Yong L. Lao
Mr. John L. Lao
Amb. Cesar B. Bautista

Thank you.

Very truly yours,



KRISTINE ANN C. CATINDIG-ONG
Assistant Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY, METRO MANILA) S.S.
PASIG CITY

SECRETARY'S CERTIFICATE

I, **KRISTINE ANN C. CATINDIG-ONG**, of legal age, after having been duly sworn on oath in accordance with law, do hereby depose and state, that:

1. I am the duly elected Assistant Corporate Secretary of **D&L INDUSTRIES, INC.**, a corporation duly organized and existing under and by virtue of the laws of the Philippines, with office address at 65 Industria St., Bagumbayan, Quezon City;
2. At the Special Meeting of the Board of Directors held on June 8, 2015 at Mandaluyong City, the following resolutions were unanimously approved, to wit:

"RESOLVED, as it is hereby resolved, that D&L INDUSTRIES, INC. (the "Corporation"), through its Board of Directors, declare a regular cash dividend of Fifteen Centavos (Php0.15) per share to all stockholders of record as of June 30, 2015, payable on July 8, 2015."

3. The foregoing resolutions have not been amended nor revoked and are therefore in full force and effect.

Signed in Quezon City, _____.



KRISTINE ANN C. CATINDIG-ONG
Asst. Corporate Secretary

PASIG CIT.

APR 01 2016

SUBSCRIBED AND SWORN TO BEFORE ME this April 14, 2015 in Quezon City, affiant exhibited to me her Driver's License No. D12-99-049415 expiring on May 11, 2016.

Doc No. 178 :
Page No. 08 :
Book No. 32 :
Series of 2015.



MARIA TERESITA E. PATULA
Notary Public

Serial No. of Commission 125
Commission expires on 12-31-16
Roll of Attorney's No. 53971
IBP No. 102912 PTR No. 709077

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG) S.S.

CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

I, **ARTHUR R. PONSARAN**, Filipino, of legal age and with office address at Unit 3104, 31/F Antel Global Corporate Center, No. 3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, having been duly sworn to in accordance with law, depose and say as follows:

1. That I am the duly elected Corporate Secretary of D&L INDUSTRIES, INC. (the "Corporation"), a company duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at 65 Industria St., Bagumbayan, Quezon City;
2. That at the meeting of the Board Directors on 11 May 2015, all the directors were present and approved the declaration of 100% stock dividends amounting to P3,571,428,995 equivalent to 3,571,428,995 shares of common stock to be issued out of the increase in the authorized capital stock of the Corporation payable to stockholders at a record date to be set by the Securities and Exchange Commission after approval of the increase in the Corporation's capital stock, to wit:

"RESOLVED, as it is hereby resolved, that D&L INDUSTRIES, INC. (the "Corporation"), subject to requirements of applicable laws such as availability of unrestricted retained earnings and ratification of stockholders, declare stock dividends, to be taken out from the Corporation's unrestricted retained earnings for the period ended 31 March 2015, amounting to Three Billion Five Hundred Seventy One Million Four Hundred Twenty Eight Thousand Nine Hundred Ninety Five Pesos (P3,571,428,995.00), to be issued out of the Corporation's increase in authorized capital stock and payable to the existing stockholders at a record date to be set by the Securities Exchange Commission after approval of the increase in the Corporation's authorized capital stock."

3. That in relation thereto, all the directors also approved the submission of the necessary documents with the Securities Exchange Commission and Philippine Stock Exchange, Inc. for the issuance and listing of the stock dividends equivalent to Three Billion Five Hundred Seventy One Million Four Hundred Twenty Eight Thousand Nine Hundred Ninety Five (3,571,428,995.00) shares and for that purpose, the designation of representatives and signatories, to wit:

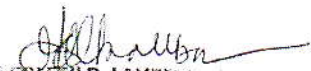
"RESOLVED, as it is hereby resolved, that D&L INDUSTRIES, INC. (the "Corporation"), for purposes of complying with law and the necessary and required documentation of the Securities Exchange Commission and Philippine Stock Exchange, Inc. for the issuance and listing of the stock dividends equivalent to Three Billion Five Hundred Seventy One Million Four Hundred Twenty Eight Thousand Nine Hundred Ninety Five (3,571,428,995.00) shares, the President and Chief Executive Officer (CEO), John L. Lao, the Chairman, Leon L. Lao, the Treasurer and Chief Financial Officer, Alvin D. Lao, and/or the Corporate Secretary, Arthur. R. Ponsaran, acting singly or jointly, is/are hereby authorized and designated as official representatives and signatories of the Corporation, with authority to do all other acts and things necessary, proper or convenient to give effect to the foregoing resolutions including the authority to set the record date and payment/issue date after consultation with management."

4. That the aforesaid resolutions were approved by the stockholders during the annual stockholders meeting held on 08 June 2015.


ARTHUR R. PONSARAN
Corporate Secretary

SUBSCRIBED AND SWORN TO before me on JUL 28 2015 at
Pasig City, affiant exhibiting to me his Philippine Passport issued by the Department of
Foreign Affairs with Passport No. EB997119 issued on 1-11-2014 and valid until 1-10-
2019.

Doc. No. 90
Page No. 119
Book No. 111
Series of 2015.


NAVE COLEEN D. LAMBINO
Notary for Pasig City
App. No. 242(2014-2015); Until 12/31/2015
Roll of Attorneys No. 63250
IBP No. 0988201/ 01-09-2015/ Quezon City
PTR No. 0378346/ 01-20-2015/ Pasig City
MCLE Compliance - Admitted to Bar 2009
3104 Ardal Global Corporate Center
3 Julia Vargas Ave, Ortigas Center, Pasig City



112102015001271



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
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Company Type Stock Corporation

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report: December 9, 2015
2. SEC Identification Number: 44852
3. BIR Tax Identification No.: 000-421-957-000
4. Exact name of issuer as specified in its charter: D&L Industries, Inc.
5. Province, country or other jurisdiction of incorporation: Metro Manila
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: 65 Industria St., Bagumbayan, Quezon City
Postal Code: 1110
8. Issuer's telephone number, including area code: (02) 635-0680
9. Former name or former address, if changed since last report: not applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Common
Number of Shares of Common Stock Outstanding	7,142,857,990 as at Sept. 30, 2015
Amount of Debt Outstanding	4,493,817,608 as at Sept. 30, 2015

11. Indicate the item numbers reported herein:

Item No. 4 Resignation, Removal or Election of Registrant's Directors or Officers

We are deeply saddened to announce that Amb. Cesar Bautista passed away today, December 9.

Amb. Bautista was an Independent Director, a member of the Remuneration Committee and the Chairman of the Audit Committee of D&L Industries.

He has had a long and highly successful career in the private sector and public service. He had served on the board of directors of D&L Industries since 2012.


His passing leaves vacant one Board seat, as well the Chairmanship of the Audit Committee. The Company will advise the public once a new independent director has been selected.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

D&L INDUSTRIES, INC.

Issuer

A handwritten signature in black ink, appearing to read 'ALVIN D. LAO', written over a horizontal line.

ALVIN D. LAO
EVP and CFO

December 9, 2015