

Application has been made to the Stock Exchange of Singapore Limited (the "SES" or the "Stock Exchange") for permission to deal in, and for quotation of, all the ordinary shares of par value US\$0.01 each (each a "Share") in the capital of Del Monte Pacific Limited (the "Company") already issued (the "Existing Shares") as well as 142,857,143 new Shares to be issued (the "New Shares"). Such permission will be granted when the Company has been admitted to the Official List of the SES. Acceptance of applications for Shares will be conditional upon permission being granted to deal in, and for quotation of, all the Existing Shares as well as the New Shares. **Quotation of, and dealing in, the Shares will be in US dollars.** Moneys paid in respect of any application accepted will be returned without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the said permission is not granted.

The SES assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SES is not to be taken as an indication of the merits of the Invitation (as defined herein), the Company or its subsidiaries, the Existing Shares or the New Shares.

A copy of this Prospectus has been lodged with, and registered by, the Registrar of Companies and Businesses in Singapore who takes no responsibility for its contents.

Offer Shares and Placement Shares (each as defined herein) will be offered and sold outside the United States to non-US persons in reliance on Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"), and Placement Shares will also be offered and sold to qualified institutional buyers as defined in, and in reliance on, Rule 144A under the Securities Act.

See "Risk Factors" for a discussion of certain factors that should be carefully considered by prospective investors.

DEL MONTE PACIFIC LIMITED

(Incorporated in the British Virgin Islands with limited liability on 27th May, 1999)

Invitation in respect of 142,857,143 New Shares and 142,858,000

Existing Shares of US\$0.01 each comprising:

- (1) 57,142,000 Offer Shares, comprising:**
 - (i) 28,571,000 Offer Shares at S\$1.071 each by way of public offer; and**
 - (ii) 28,571,000 Offer Shares at US\$0.63 each reserved for employees of the Group (as defined herein) and others whom the Company believes have contributed to the success of the Group (the "Reserved Shares"); and**
- (2) 228,573,143 Placement Shares at US\$0.63 each by way of placement,**
payable in full on application
(subject to the Over-Allotment Option (as defined herein))

GLOBAL COORDINATOR AND BOOKRUNNER FOR THE INVITATION

ABN AMRO ROTHSCHILD

Joint-Lead Managers of the Offer

ABN AMRO ROTHSCHILD

**THE DEVELOPMENT BANK
OF SINGAPORE LTD**

Lead Manager of the Placement

ABN AMRO ROTHSCHILD

Co-Lead Managers of the Placement

**THE DEVELOPMENT BANK
OF SINGAPORE LTD**

MORGAN STANLEY DEAN WITTER

Co-Managers of the Placement

**DEUTSCHE BANK
SG SECURITIES (SINGAPORE) PTE LTD**

ING BARINGS

This Prospectus is dated 24th July, 1999

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Tony Chew Leong-Chee
Mr. Luis P. Lorenzo, Jr.
Mr. Vivian S. Imerman
Mr. Martin P. Lorenzo
Mr. Paul S. Danowa
Mr. Jacques Fragis
Mr. Hymie R. Levin
Mr. Vicente S. Pérez, Jr.
Mr. Wong Fong Fui
Mr. Richard W. Blossom*
Mr. Sydney Michael Hwang*

** Independent Director*

COMPANY SECRETARIES

Torman Limited
Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

Yvonne Choo
10 Collyer Quay #19-08
Ocean Building
Singapore 049315

REGISTERED OFFICE

Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

GLOBAL COORDINATOR AND BOOKRUNNER FOR THE INVITATION

ABN AMRO Rothschild
4 Broadgate
London EC2M 7LE
United Kingdom

JOINT-LEAD MANAGERS OF THE OFFER

ABN AMRO Asia Merchant Bank (Singapore) Limited
63 Chulia Street #11-01
Singapore 049514

NM Rothschild & Sons (Singapore) Limited
20 Cecil Street
The Exchange #09-00
Singapore 049705

The Development Bank of Singapore Ltd
6 Shenton Way
DBS Building Tower One
Singapore 068809

LEAD MANAGER OF THE PLACEMENT

ABN AMRO Rothschild
4 Broadgate
London EC2M 7LE
United Kingdom

CO-LEAD MANAGERS OF THE PLACEMENT	The Development Bank of Singapore Ltd 6 Shenton Way DBS Building Tower One Singapore 068809
	Morgan Stanley & Co. International Limited 25 Cabot Square Canary Wharf London E14 4QA United Kingdom
AUDITORS AND REPORTING ACCOUNTANTS	Arthur Andersen Certified Public Accountants 10 Hoe Chiang Road #18-00 Keppel Towers Singapore 089315
AUDITORS TO THE DMPRL GROUP	Arthur Andersen & Co. Certified Public Accountants 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
LEGAL ADVISERS TO THE MANAGERS AS TO ENGLISH AND UNITED STATES LAWS	Freshfields 12th Floor Two Exchange Square Central Hong Kong
SOLICITORS TO THE INVITATION	Allen & Gledhill 36 Robinson Road #18-01 City House Singapore 068877
LEGAL ADVISERS TO THE COMPANY AS TO PHILIPPINE LAW	Ponce Enrile Reyes & Manalastas Third Floor, Vernida IV Building Alfaro Street Salcedo Village Makati City Philippines
LEGAL ADVISERS TO THE COMPANY AS TO BVI LAW	Harney Westwood & Riegels Craigmuir Chambers PO Box 71 Road Town Tortola British Virgin Islands
LEGAL ADVISERS TO THE COMPANY AS TO ENGLISH LAW	Berwin Leighton Adelaide House London Bridge London EC4R 9HA United Kingdom

LEGAL ADVISERS TO THE COMPANY AS TO SOUTH AFRICAN LAW	HR Levin Attorneys Kentgate 64 Kent Road (Cnr. Oxford Road) Dunkeld 2196 Johannesburg South Africa
BVI REGISTRAR AND SHARE TRANSFER OFFICE	HWR Services Limited Craigmuir Chambers PO Box 71 Road Town Tortola British Virgin Islands
REGISTRAR FOR THE INVITATION AND SINGAPORE SHARE TRANSFER AGENT	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
MANAGEMENT CONSULTANT TO THE COMPANY	Bain & Company (Asia), Inc. Level 50 Temasek Tower 8 Shenton Way Singapore 068811
PRINCIPAL BANKERS TO DEL MONTE PHILIPPINES, INC.	Bank of America National Trust and Savings Association PO Box 1767 Makati Central Post Office 1257 Makati Metro Manila Philippines
	Bank of the Philippine Islands BPI Building Ayala Avenue Corner Paseo de Roxas Makati City Philippines
	Far East Bank & Trust Company Far East Bank Center Sen. Gil Puyat Avenue Makati City Philippines
PRINCIPAL BANKER TO CENTRAL AMERICAN RESOURCES, INC.	Bank of America National Trust and Savings Association Bank of America Tower 12 Harcourt Road Hong Kong

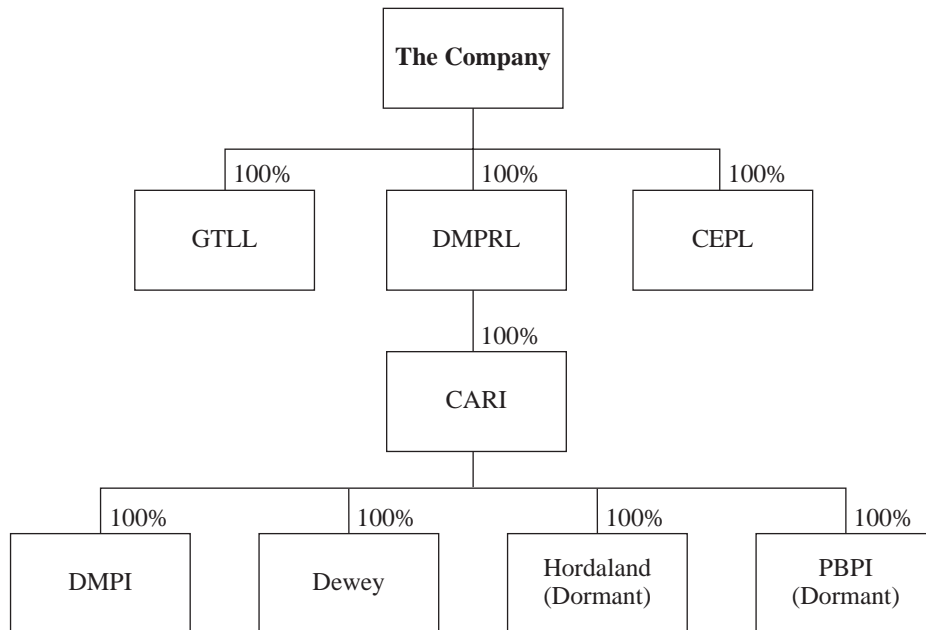
DEFINITIONS

In this Prospectus, the accompanying Application Forms and, in relation to Electronic Applications, the instructions appearing on the screen of the ATMs of the Participating Banks, unless the context otherwise requires, the following key words or expressions shall have the following meanings:

Companies within the Group

“CARI”	Central American Resources, Inc., a company incorporated in Panama with limited liability
“CEPL”	Ceanothus Enterprise Pte. Ltd., a company incorporated in Singapore with limited liability
“Company” or “Issuer”	Del Monte Pacific Limited, a company incorporated in the BVI with limited liability
“Del Monte Philippines” or “DMPI”	Del Monte Philippines, Inc., a company incorporated in the Philippines with limited liability
“Dewey”	Dewey Limited, a company incorporated in Bermuda with limited liability
“DMPRL”	Del Monte Pacific Resources Limited, a company incorporated in the BVI with limited liability
“DMPRL Group”	DMPRL and its subsidiaries
“GTLL”	GTL Limited, a company incorporated in Labuan, Federal Territory of Malaysia, with limited liability
“Hordaland”	Hordaland Company Limited, a company incorporated in Hong Kong with limited liability
“PBPI”	Pacific Brands Philippines, Inc., a company organised in the State of Delaware, the United States of America with limited liability

The following chart shows the corporate structure of the Group as at the date of this Prospectus:



Other Definitions

“ABN AMRO Rothschild” . . .	When acting in the capacity as Joint-Lead Manager of the Offer, ABN AMRO Asia Merchant Bank (Singapore) Limited and NM Rothschild & Sons (Singapore) Limited; and, when acting in the capacity as Global Coordinator and Bookrunner for the Invitation and Lead Manager of the Placement, ABN AMRO Rothschild
“Application Forms”	Printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
“Application List”	List of applications for the subscription and/or purchase of the Invitation Shares
“Articles of Association”	Articles of association of the Company
“ATM”	Automated teller machine
“Bangko Sentral”	Bangko Sentral ng Pilipinas, also known as the Central Bank of the Philippines
“BIR”	Bureau of Internal Revenue of the Philippines
“Board”	Board of directors of the Company
“Business Day”	A day (excluding Saturdays and Sundays) on which the Stock Exchange is open for trading in securities and banks in Singapore are open for business
“BVI”	British Virgin Islands
“BVI Companies Act”	The International Business Companies Ordinance, Chapter 291 of the laws of the BVI
“CDP”	The Central Depository (Pte) Limited of Singapore
“DBS Bank”	The Development Bank of Singapore Ltd
“DelCorp”	Del Monte Royal Corporation Limited, a company incorporated in the Republic of South Africa whose shares are listed on the Johannesburg Stock Exchange and which has an approximately 46.4 per cent. interest in Del Monte Royal Foods
“DelHold”	Del Monte Royal Holdings Limited, a company incorporated in the Republic of South Africa whose shares are listed on the Johannesburg Stock Exchange and which has an approximately 50.9 per cent. interest in DelCorp
“Del Monte Employees’ Cooperative”	Del Monte Philippines Employees’ Agrarian Reform Beneficiaries Cooperative, an agrarian reform cooperative organised under the laws of the Philippines
“Del Monte Fresh Produce” . . .	Del Monte Fresh Produce International, Inc., a subsidiary of the licensee of the Del Monte brand for fresh fruit, vegetables and produce worldwide
“Del Monte International”	Del Monte International, Inc., a company incorporated in Panama, the licensee of the Del Monte brand in most of Europe, Africa and the Middle East and which is an indirect wholly-owned subsidiary of Del Monte Royal Foods

“Del Monte Kenya”	Del Monte Kenya Limited, a company incorporated in Kenya and which is an indirect wholly-owned subsidiary of Del Monte Royal Foods
“Del Monte Royal Foods”	Del Monte Royal Foods Limited, a company incorporated in the Republic of South Africa and whose shares are listed on the Johannesburg Stock Exchange; references to “Del Monte Royal Foods” shall, unless the context otherwise requires, include the subsidiaries of Del Monte Royal Foods Limited
“Del Monte USA”	Del Monte Corporation, the owner and licensor of the Del Monte trademarks worldwide, subject to certain minor exceptions
“Directors”	Directors of the Company as at the date of this Prospectus, unless otherwise stated
“DMGL”	Del Monte Group Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of Del Monte Royal Foods
“Electronic Applications”	Applications for Offer Shares at ATMs of the Participating Banks for the purpose of the Invitation
“ESOP”	The Del Monte Pacific Executive Stock Option Plan, the terms of which are set out in Appendix III of this Prospectus
“Executive Officers”	The executive officers of the Group, whose names and details are set out under “Directors, Senior Management and Employees — Management”
“Existing Shares”	The Shares in issue and fully paid-up as at the date of this Prospectus, comprising 1,000,000,000 Shares in aggregate, and held by MCI as to 500,001,000 Shares and by Juliet as to 499,999,000 Shares, of which an aggregate of 142,858,000 are to be sold by the Selling Shareholders, subject to and on the terms and conditions of this Prospectus
“Global Coordinator” or “Global Coordinator for the Invitation”	ABN AMRO Rothschild
“Group”	The Company and its subsidiaries
“IAS”	International Accounting Standards
“Imerman Consortium”	The consortium comprising Mr. Vivian S. Imerman and certain members of his family, and Fedlife Assurance Limited, a company incorporated in the Republic of South Africa, whose shares are listed on the Johannesburg Stock Exchange
“Invitation”	The invitation by the Company and the Selling Shareholders to subscribe for, or purchase, the Invitation Shares, subject to and on the terms and conditions of this Prospectus
“Invitation Price”	In the case of the Offer, the Offer Price and, in the case of the Placement, the Placement Price
“Invitation Shares”	The 285,715,143 Shares which are the subject of the Invitation, comprising New Shares and Existing Shares
“Juliet”	Juliet Holdings S.A., a company incorporated in the BVI and an indirect wholly-owned subsidiary of Del Monte Royal Foods

“Kikkoman”	Kikkoman Corporation, the licensee of the Del Monte brand for processed foods in certain Asian and Pacific Rim countries, excluding the Philippines and the Indian subcontinent
“Lapanday”	Lapanday Holdings Corporation
“Lorenzo Group”	The group comprising members of the family of the late Mr. Luis F. Lorenzo, Sr.
“Macondray”	Macondray & Co., Inc., a company incorporated in the Philippines
“Macondray Group”	Macondray and its subsidiaries, including MCI
“MAIC”	Macondray Agro-Industrial Corporation, a company incorporated in the Philippines and which is a wholly-owned subsidiary of Macondray
“Managers”	The Offer Managers and the Placement Managers
“MCI”	MCI, Inc., a company incorporated in the BVI and a wholly-owned subsidiary of Macondray
“Memorandum”	Memorandum of association of the Company
“metric tonne” or “tonne”	Metric tonne, with a weight equivalent to 1,000 kilogrammes, or approximately 1.1 times greater than a short ton
“Nabisco”	Nabisco Limited, a corporation incorporated under the laws of Canada and a licensee of the Del Monte brand in Canada
“New Shares”	The 142,857,143 new Shares for which the Company invites applications to subscribe, pursuant to the Invitation, and subject to and on the terms and conditions of this Prospectus
“Non-Competition Deed”	The deed of non-competition dated 23rd July, 1999 made between (1) Macondray, (2) DMGL and (3) the Company, details of which are set out under “Directors, Senior Management and Employees — Conflicts of Interest”, “General and Statutory Information — Material Contracts”, “Risk Factors — Relationship with and between Principal Shareholders – Conflicts of Interest” and “Ownership Structure and Principal Shareholders — Non-Competition Deed” below
“NTA”	Net tangible assets
“Offer”	The offer by the Company and the Selling Shareholders of the Offer Shares to the public in Singapore and employees of the Group and others whom the Company believes have contributed to the success of the Group for subscription and/or purchase at the Offer Price
“Offer Agreement”	The offer agreement dated 24th July, 1999 made between (1) the Company, (2) MCI and DMGL, (3) certain of the Directors and (4) the Offer Managers relating to the management of the Offer and the underwriting of the Offer Shares
“Offer Managers”	ABN AMRO Rothschild and DBS Bank, as the joint-lead managers of the Offer
“Offer Price”	S\$1.071 for each Offer Share (other than the Reserved Shares) and US\$0.63 for each Reserved Share
“Offer Shares”	The 57,142,000 Invitation Shares which are the subject of the Offer, including the Reserved Shares

“Over-Allotment Option”	The option granted by the Company to the Global Coordinator, on behalf of the Placement Managers, to require the Company to issue additional New Shares pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus, as described under “Over-Allotment and Stabilisation”
“Over-Allotment Shares”	Up to 42,857,143 additional New Shares to be issued pursuant to the Over-Allotment Option
“Participating Banks”	DBS Bank (including its POSBank Services division); Keppel TatLee Bank Limited (“KTBL”); Oversea-Chinese Banking Corporation Limited (“OCBC”) Group (comprising OCBC and Bank of Singapore Limited); Overseas Union Bank Limited (“OUB”); and United Overseas Bank Limited (“UOB”) Group (comprising UOB, Chung Khiaw Bank Limited, Far Eastern Bank Limited and Industrial & Commercial Bank Limited)
“Philippines”	The Republic of the Philippines
“Placement”	The placement by the Company and the Selling Shareholders of the Placement Shares for subscription and/or purchase at the Placement Price
“Placement Agreement”	The placement agreement dated 24th July, 1999 made between (1) the Company, (2) MCI and DMGL, (3) certain of the Directors and (4) the Placement Managers relating to the management of the Invitation and the underwriting of the Placement Shares
“Placement Managers”	ABN AMRO Rothschild as Lead Manager of the Placement, DBS Bank and Morgan Stanley & Co. International Limited as Co-Lead Managers of the Placement, and ING Barings Asia Limited, as agent for ING Bank N.V., Deutsche Bank Aktiengesellschaft and SG Securities (Singapore) Pte Ltd as Co-Managers of the Placement
“Placement Price”	US\$0.63 for each Placement Share
“Placement Shares”	The 228,573,143 Invitation Shares which are the subject of the Placement
“Pooling Agreement”	The shareholders and voting pool agreement dated 23rd July, 1999 made between (1) MCI and (2) Juliet concerning the relationship between them as shareholders of the Company following completion of the Invitation
“PSEC”	Securities and Exchange Commission of the Philippines
“Receiving Banker”	ABN AMRO Bank N.V.
“Reserved Shares”	28,571,000 Offer Shares reserved for employees of the Group and others whom the Company believes have contributed to the success of the Group
“Restructuring Agreements”	The agreements relating to the Restructuring Exercise referred to in paragraphs 4, 5 and 6 under “Restructuring Exercise”
“Restructuring Exercise”	The restructuring exercise undertaken by the Group in connection with the Invitation, particulars of which are set out under “Restructuring Exercise”
“Revised Securities Act”	Batas Pambansa Blg. 178, otherwise known as the Revised Securities Act of the Philippines

“SAICO”	The Siam Agro-Industry Pineapple and Others Public Co, Ltd., a company incorporated in the Kingdom of Thailand in which Del Monte Royal Foods has a major interest
“SCCS”	Securities Clearing & Computer Services (Pte) Ltd.
“Securities Account”	A securities account maintained by a depositor with CDP
“Securities Act”	The United States Securities Act of 1933, as amended
“Selling Shareholders”	The existing shareholders of the Company named herein who are selling, or procuring the sale of, the number of Existing Shares stated herein as part of the Offer and the Placement
“Shares”	Ordinary shares of par value US\$0.01 each in the capital of the Company
“Share Registrar”	Lim Associates (Pte) Ltd
“short ton” or “ton”	Short ton, with a weight equivalent to 2,000 pounds, or approximately 0.91 times a metric tonne
“Singapore”	The Republic of Singapore
“Singapore Companies Act”	The Companies Act, Chapter 50 of Singapore
“Stock Exchange” or “SES”	The Stock Exchange of Singapore Limited
“Stock Transfer Agent”	Stock Transfer Services, Inc.
“Sundor”	Sundor Brands, Inc.
“US GAAP”	Generally Accepted Accounting Principles in the United States
“United States”	The United States of America, its territories and possessions, any state of the United States of America, and the District of Columbia
“US person”	US person, as defined in Regulation S under the Securities Act
“VAT”	Value Added Tax
“₱” or “Pesos”	Philippine Pesos, being the lawful currency of the Philippines
“S\$” or “Singapore dollars”	Singapore dollars, being the lawful currency of Singapore
“US\$” or “US dollars”	United States dollars and cents, being the lawful currency of the United States
“US cents”	US cents, each US cent being one hundredth of a US dollar
“%” or “per cent.”	Percentage or per centum

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons, where applicable, shall include corporations.

Unless otherwise indicated, any reference in this Prospectus and the Application Forms to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the BVI Companies Act or the Singapore Companies Act or any statutory modification thereof and used in this Prospectus and the Application Forms shall have the meaning assigned to it under the respective Acts or statutory modification as the case may be.

Any reference in this Prospectus and the Application Forms to Shares being allotted and/or allocated to an applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time of day and dates in this Prospectus shall be a reference to Singapore time and dates unless otherwise stated.

Unless otherwise stated, all financial information contained in this Prospectus is based on the pro forma consolidated financial statements (contained under "Accountants' Report") which assume the present Group structure existed from and including 1st January, 1996.

The rights to use the Del Monte trademark in Singapore are licensed to Kikkoman by Del Monte USA, the principal owner and licensor of the Del Monte trademarks worldwide, subject to certain exceptions. Both Del Monte USA and Kikkoman are independent of the Company. The Company does not intend to use the Del Monte trademark in the course of trade in Singapore.

Any reference in this Prospectus to the number and/or percentage of Shares held by Juliet and MCI shall be a reference to the number and/or percentage of Shares held following completion of the Invitation (but before taking account of any Shares which may be issued pursuant to the Over-Allotment Option), unless otherwise stated.

PURCHASE BY THE COMPANY OF ITS OWN SHARES

Under the laws of the BVI, a company may, if authorised by its memorandum of association or articles of association, purchase its own shares. The Company has such power to purchase its own Shares under Regulation 24 of its Articles of Association. Such power of the Company to purchase its own Shares shall, subject to the BVI Companies Act and its Articles of Association, be exercisable by the Directors upon such terms and subject to such conditions as they think fit, in accordance with Regulation 24.

Under the laws of the BVI, such purchases may be effected out of the surplus of the Company. Surplus is defined as the excess, if any, at the time of the determination, of the total assets of the Company over the sum of its total liabilities, as shown in its books of account, plus its capital. Shares must be redeemed for fair value unless the Memorandum or the Articles of Association provide for redemption at less than fair value. Any premium payable on such a purchase over the par value of the Shares to be purchased must be provided for out of the funds of the Company otherwise available for dividend or distribution. The Shares so purchased may be cancelled or held as treasury shares (being shares in the capital of the Company that were previously issued but were repurchased, redeemed or otherwise acquired by the Company and not cancelled) but if cancelled, the Company's issued, but not its authorised, capital will be diminished accordingly. Such cancelled Shares revert to being authorised but unissued shares in the capital of the Company and are available for reissue.

For further details, please see "Purchase of Shares by a Company" in paragraph 4(c) of Appendix II of this Prospectus.

At present, the Company has no intention to purchase its Shares after the listing. However, if it decides to do so later, it would seek the shareholders' approval in accordance with Singapore laws and the rules of the Stock Exchange. The Company will make prompt public announcement of any such share purchase and has also given an undertaking to the Stock Exchange to comply with all requirements that the Stock Exchange may impose in the event of any such Share purchase.

TAKE-OVERS

Sections 213, 214 and 215 of the Singapore Companies Act, the Tenth Schedule to the Singapore Companies Act and the Singapore Code on Take-overs and Mergers (1985 Edition) (collectively the "Singapore Take-over Laws and Regulations") apply only to take-over offers for public companies incorporated in Singapore and not to companies incorporated outside Singapore. Therefore, the Singapore Take-over Laws and Regulations do not apply to take-over offers for the Company as it is incorporated in the BVI.

Regulation 167 will, due to its binding effect on the members of the Company, require members of the Company who make take-over offers for the Company to comply with the Singapore Take-over Laws and Regulations. However, it is uncertain whether this can be implemented in practice. As Regulation 167 only binds the members of the Company, a person (including a corporation) who is not a member of the Company will not be bound to comply with the Singapore Take-over Laws and Regulations.

Regulation 167 provides that for so long as the Shares are listed on the Designated Stock Exchange (as defined in the Articles of Association), the Singapore Take-over Laws and Regulations which are filed with the Memorandum and Articles of Association and deemed to be part thereof, including any amendments, modifications, revisions, variations or re-enactment thereof, shall apply, *mutatis mutandis*, to all take-over offers for the Company.

The Company's substantial shareholders, comprising MCI and Juliet, have undertaken to the Stock Exchange that, for as long as they continue to be substantial shareholders of the Company, they will endeavour to persuade potential offerors to comply with the requirements of the Singapore Take-over Laws and Regulations in the event of any take-over offers for the Company.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in the BVI and Singapore in order to permit a public offering of the Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by the Company, the Selling Shareholders and the Managers to inform themselves about, and to observe and comply with, any such restrictions.

The Invitation Shares have not been and will not be registered under the Securities Act or any state securities laws. The Invitation Shares may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective purchasers are hereby notified that the sellers of the Invitation Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

No document issued in connection with the Invitation may be passed on to any person in the United Kingdom unless that person is of the kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom this document may otherwise lawfully be issued or passed on. All applicable provisions of the Financial Services Act 1986 must be complied with in respect of anything done in relation to the Invitation Shares in, from or otherwise involving the United Kingdom.

This Prospectus does not constitute a prospectus in terms of the Companies Act, 1973 of the Republic of South Africa. This Invitation does not constitute an offer to sell, or an invitation by or on behalf of the Company or by or on behalf of any Manager or any person to subscribe for, or purchase, any of the Shares in the Republic of South Africa.

OVER-ALLOTMENT AND STABILISATION

In connection with the Invitation, the Company has granted to the Global Coordinator, on behalf of the Placement Managers, an option, the Over-Allotment Option, exercisable, in whole or in part, at any time until 30 days after commencement of trading in the Shares on the SES, to subscribe, or procure subscribers for, up to an aggregate of 42,857,143 New Shares at the Invitation Price, solely to cover over-allotments, if any.

In connection with the Invitation, the Global Coordinator may over-allot or effect transactions which stabilise or maintain the market price of the Shares at levels which might not otherwise prevail in the open market. Such transactions may be effected on the Stock Exchange and in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such stabilisation, if commenced, may be discontinued at any time.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by the Company or its officers, Directors or employees acting on its behalf, that are not statements of historical fact, constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would” and “could” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group’s expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to the Group’s revenue and profitability, the Group’s planned leverage of the Group’s existing branded marketing and distribution infrastructure and the Del Monte brand in the Philippines, proposed cost reduction measures, planned acquisition strategy and other matters discussed in this Prospectus regarding matters that are not historical fact are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may

cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- changes in political, social and economic conditions and the regulatory environment in the Philippines and elsewhere;
- changes in currency exchange rates;
- changes in market prices and export taxes for the Group's products;
- changes in the availability or prices of raw materials for the Group's products;
- availability of, and the Group's ability to obtain, land rights and revocation of, or restrictions on, the Group's land use rights;
- changes in weather;
- changes in customer preferences;
- demographic changes;
- changes in competitive conditions; and
- other factors beyond the Group's control.

Some of these factors are discussed in more detail under "Risk Factors".

Given the risks and uncertainties that may cause the Group's actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Prospectus, undue reliance must not be placed on those statements. The Company does not represent or warrant that the Group's actual future results, performance or achievements will be as discussed in those statements. Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. The Company is, however, subject to the provisions of the Listing Manual of the SES regarding corporate disclosure.

DETAILS OF THE INVITATION

Listing on the Stock Exchange

Application has been made to the Stock Exchange for permission to deal in, and for quotation of, all the Existing Shares as well as the New Shares on the SES. Such permission will be granted when the Company has been admitted to the Official List of the SES. Acceptance of applications will be conditional upon permission being granted to deal in, and for quotation of, all the Existing Shares as well as the New Shares. Moneys paid in respect of any application accepted will be returned, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the said permission is not granted.

The Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SES is not to be taken as an indication of the merits of the Invitation, the Company, its subsidiaries or the Existing Shares or the New Shares.

The Directors individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement in this Prospectus misleading.

Each of the Selling Shareholders accepts full responsibility for the accuracy of the information given herein with regard to such Selling Shareholder which is limited to the information contained under "Definitions — Other Definitions", "Take-overs", "Prospectus Summary", "Risk Factors", "Share Capital", "Ownership Structure and Principal Shareholders", "Restructuring Exercise", "Business of the Group", "Directors, Senior Management and Employees — Related Party Transactions" and "General and Statutory Information" and information with respect to the name of, and the number of Existing Shares held and to be sold by, such Selling Shareholder, and confirms, having made all reasonable enquiries, that, to the best of the knowledge and belief of such Selling Shareholder, there are no other material facts the omission of which would make any information herein for which it is responsible misleading.

No person is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Selling Shareholders or the Managers. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Company or the Group or any statement of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, the Company may make an announcement of the same to the SES. All applicants should take note of any such announcement and, upon release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Company or the Group.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose. This Prospectus does not constitute an offer of, or invitation or solicitation to subscribe for and/or to purchase, the Invitation Shares in any jurisdiction in which such offer or invitation or solicitation is unauthorised or unlawful nor does it constitute an offer or invitation or solicitation to any person to whom it is unlawful to make such offer or invitation or solicitation.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, from:

**ABN AMRO Asia Merchant Bank
(Singapore) Limited**
63 Chulia Street #11-01
Singapore 049514

**NM Rothschild & Sons
(Singapore) Limited**
20 Cecil Street
The Exchange #09-00
Singapore 049705

**The Development Bank of
Singapore Ltd**
6 Shenton Way
DBS Building Tower One
Singapore 068809

and from DBS Bank branches (including POSBank Services division), members of the Association of Banks in Singapore, members of the Stock Exchange and merchant banks in Singapore.

The Application List will open at 10:00 a.m. on 29th July, 1999 and will remain open until 12:00 noon on the same day or for such further period or periods as the Directors may in their absolute discretion decide, subject to any limitation under all applicable laws.

Indicative Timetable for Listing

In accordance with the Stock Exchange's News Release of 28th May, 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out below for the reference of applicants.

Indicative date/time	Event
29th July, 1999, 12:00 noon	Close of Application List
30th July, 1999	Balloting of applications, if necessary (in the event of an over-subscription for the Offer Shares (other than the Reserved Shares))
2nd August, 1999, 9:00 a.m.	Commence trading on a "when issued" basis
10th August, 1999	Last day of trading on a "when issued" basis
11th August, 1999, 9:00 a.m.	Commence trading on a "ready" basis
18th August, 1999	Settlement date for all trades in respect of the Shares done on a "when issued" basis and for all trades done on a "ready" basis on 11th August, 1999

The above timetable is only indicative as it assumes that the date of closing of the Application List will be 29th July, 1999, the date of admission of the Company to the Official List of the SES will be 2nd August, 1999, the Stock Exchange's shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 2nd August, 1999. The actual date on which the Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the Stock Exchange.

The above timetable and procedure may be subject to such modification as the SES may, in its discretion, decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. All persons trading in the Shares on a "when issued" basis do so at their own risk. **In particular, persons trading in the Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, if applicable, have been allotted or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date mentioned above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

Investors should consult the SES announcement on the "ready" listing date on the Internet (at the SES website <http://www.ses.com.sg>), INTV or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and financial statements (including the notes thereto), appearing elsewhere in this Prospectus. Terms defined elsewhere in this Prospectus have the same meanings when used herein. Prospective investors should carefully consider the information presented in this Prospectus, particularly the matters set out under "Risk Factors".

The Company

Del Monte Pacific Limited was incorporated in the BVI on 27th May, 1999 under the BVI Companies Act as a limited liability company. As at the date of this Prospectus, Macondray (through its wholly-owned subsidiary, MCI) and Del Monte Royal Foods (through its wholly-owned subsidiary, Juliet) are the only shareholders of the Company. Following the completion of the Invitation, Macondray (through MCI) and Del Monte Royal Foods (through Juliet) will together continue to be the controlling shareholders of the Company.

Overview of the Group

The Group is the leading Philippine integrated producer and branded marketer and distributor of premium quality processed food products under the Del Monte brand name with a focused business strategy to expand its operations organically and by acquisition in the Philippines and elsewhere in Asia. In the three years ended 31st December, 1998, it has grown its profit after taxation at a compound annual growth rate (CAGR) of 35.6 per cent. and it achieved net sales in the year ended 31st December, 1998 of US\$185.6 million. The Group is the owner of the Del Monte trademarks for processed foods in the Philippines and has grown since establishment in 1926 from being an exporter of pineapples to being a brand leader across a range of processed food categories. The Del Monte trademark is the cornerstone of the Group's development, being one of the most recognised brand names amongst Philippine consumers.

The Group sells its products in the Philippine market both directly to major supermarkets and wholesalers and indirectly through two distributors, which service the Philippines' second-tier outlets targeted by the Group and approximately 15 per cent. of third-tier outlets. The Group's sales to international markets are secured through a number of supply contracts with marketing and distribution entities in the United States, Europe, Asia (outside the Philippines) and Canada. Of the six supply contracts, five are with entities which hold the exclusive right to the Del Monte trademarks in their respective territory or product category. The Group's key supply contracts are long-term in nature.

The Group operates one of the world's largest pineapple plantations for processed pineapples, which is located in Mindanao in the Philippines and ensures a secure supply of high quality products for the Group's business. The Group also operates what the Directors believe to be one of the world's largest pineapple processing and canning facilities, which is located approximately 32 kilometres from the plantation. The Directors believe that the size and efficiency of its plantation and cannery operations allow it to achieve economies of scale which are not available to its smaller competitors.

Since 1996, the Group has been jointly owned and controlled by two shareholding groups. MCI, controlled by the Lorenzo Group, brought with it substantial experience of local Philippine industry, market and operational conditions. Del Monte Royal Foods, headed by Mr. Vivian S. Imerman, is the exclusive licensee of the Del Monte trademarks in respect of processed foods in most of Europe, Africa and the Middle East, and has brought with it broad experience of international branded fast moving consumer goods marketing, together with management expertise and an international perspective of the Del Monte brand. Together, the shareholders have coordinated the Group's development of the existing markets for the Group's processed products and developed the Group into a modern and professionally managed organisation.

Competitive Strengths

Del Monte is a leading international brand and a premium brand in the Philippines

The Del Monte brand has been in existence since 1892. The Directors believe that it has almost universal unaided brand awareness in the Philippines, making it one of the most recognised brands of processed food products in the Philippines. In each of the three years ended 31st December, 1996, 1997 and 1998, the Group spent an average of approximately US\$7.2 million in advertising and promotional expenses in support of the Del Monte brand in the Philippines. The Del Monte brand is a worldwide brand, supported by a number of significant marketing and distribution entities in various territories around the world. Del Monte USA and Del Monte Royal Foods, for example are amongst the leading distributors of branded canned pineapple products in their respective markets. Del Monte branded products in the Philippines have leading market share positions in many of the product categories served by the Group. The Group's products typically achieve premium pricing against their competitors, supported by the quality of the products and the projection of that quality to the consumer.

Secure and low cost production base

All of the Group's requirements for pineapples are provided by its own plantation and its own processing and canning facility in the Philippines, providing security of supply. A continuing programme of investment in production and processing technology, and the management's focus on improved agricultural practices and production efficiencies and reduction of costs in the three years ended 31st December, 1998 have led to a significant improvement in the unit cost, quality and reliability of supply. The Group's economies of scale, combined with its focus on efficiency, have allowed it to remain a low cost but high quality producer in support of the Del Monte brand.

Application of modern technologies in growing, processing, packaging and marketing

The Group ensures that it applies modern technologies to all aspects of its operations, from growing and harvesting, through production and packaging, to marketing, advertising and promotion. The Group has invested approximately US\$19.6 million in capital expenditure in the three years ended 31st December, 1998, and will continue to invest in new technologies as required to develop the Del Monte brand ahead of its competition. Current initiatives include new packaging technology and further investments in the production process to generate further unit cost efficiency.

Market leader in branded products in the Philippines

As a result of the success of the management in the development of the Del Monte brand in the Philippines, the Group's branded pineapple and many of its non-pineapple products enjoy leading market positions. Its existing brand and distribution strengths provide the Group with a strong platform for the further consolidation and development of its position as a branded fast moving consumer goods company. The Group's extensive and efficient distribution network in the Philippines allows it to compete effectively with other national brands and regional and international competitors.

Secure international market relationships

The Group's key international customer supply arrangements are long-term in nature, providing security of sales. The Group's international sales of approximately US\$99.6 million represented approximately 54 per cent. of its consolidated net sales in the year ended 31st December, 1998. The Group's key international customers also enjoy the use of the Del Monte trademarks in their respective distribution and marketing operations, helping to strengthen their own market positions and consequent needs of supply by the Group. The Group works proactively with its key international customers to help develop the market for the Group's products in their respective markets.

Strong partnership between shareholders and management for further development

The combination of strengths of the two significant shareholding groups, one bringing with it substantial experience of local Philippine industry, market and operational conditions, the other broad experience of international branded fast moving consumer goods marketing, management expertise and an

international perspective of the Del Monte brand, together with a competent team of professional Executive Officers, creates a complementary partnership. The Directors believe that this partnership is well equipped to lead the Group forward into its next stage of development as a listed company.

Strong cash flow

The further development of the Group, both by investment in the organic development of its existing core business and by its development and expansion by synergistic acquisition, will be facilitated by the strong cash flow of the Group's businesses. In the three years ended 31st December, 1998, the Group generated operating cash flow of US\$39.0 million, US\$31.2 million and US\$37.0 million, respectively, more than half of each of which was denominated in US dollars.

Professional and experienced management team

The Executive Officers of the Group have a combined experience of approximately 190 years in the fast moving consumer goods industry and processed food production and marketing, most of it with businesses around the world which market Del Monte branded products. The team's combination of skills, experience and innovation in the core areas of brand marketing and distribution, agriculture, processing and production has helped to turn the Group into the leading Philippine integrated producer and branded marketer and distributor of premium quality processed food products under the Del Monte brand name.

The professional, dynamic and proactive approach of management can be demonstrated by the steps that have been taken in a number of key areas since 1996:

- The Group's distribution system in the Philippines has been extensively restructured and a dedicated supply chain function has been installed. This has resulted in significant savings in distribution costs and increased levels of service quality and flexibility in response to customer requirements.
- New line extensions and new forms of packaging have been, and will continue to be, introduced to ensure that the Del Monte brand is fully supported and developed ahead of the competition.
- The agricultural techniques of the Group have been extensively revised and commercialised, helping to deliver higher yields, higher quality and consistency of product and greater predictability, flexibility and reliability of supply.
- The production process has been significantly improved through investment in new equipment and practices, delivering greater throughput and cost savings and improvements in unit costs.
- A new integrated real time information system, providing a solution to many of the key aspects of the Group's activities, has been successfully introduced, thereby also providing the Group with operational readiness and protection in the face of the upcoming Y2K issue.

Business Strategy

The key elements of the Group's business strategy are summarised below:

- Leverage the Group's existing branded marketing and distribution infrastructure in the Philippines to introduce line extensions and new products which will broaden the sales base and penetrate new segments of the market, thereby increasing sales and profitability. In particular, it will invest in processing and packaging technologies which support high quality brand growth both in the Philippines and internationally.
- Grow the Group's existing core business and continue to promote the Del Monte brand in the Philippines and internationally as a first priority and invest ahead of the competition to accelerate its development. The Group aims to enhance and extend its relationships with key international customers.
- Leverage the Group's Del Monte and other brand names in the Philippines, together with its other core strengths in marketing and distribution, to increase sales and market shares of its existing products.

- Continue to generate further efficiencies and cost savings in production, processing, marketing and distribution. The Group will continue to make capital investments and, where necessary, refine and revise its management and operating practices to achieve these.
- Pursue synergistic acquisitions. The Group intends to explore synergistic acquisitions when there are attractive opportunities to lever its existing key strengths in the marketing, sales and distribution of branded products, and in branded processed food production. These opportunities might include:
 - Further brand rights in Asia, both in and outside the Philippines, which would be complementary to the Group's existing business.
 - Pineapple plantations and/or processing companies in Asia.
 - Non-pineapple food companies, with a focus on tomato, corn and other fruit, vegetables and fast moving consumer goods, in Asia.

The Group continuously reviews acquisition opportunities and at any time may be engaged in discussions with respect to an acquisition that may be material with respect to its operations. As at the date of this Prospectus, no agreement, arrangement or understanding has been reached with respect to any such acquisition.

The Invitation

Amount	285,715,143 Invitation Shares, comprising the Offer Shares and the Placement Shares. The Invitation Shares offered pursuant to the Invitation comprise the New Shares and 142,858,000 Existing Shares. The New Shares will, when allotted, issued and fully paid-up, rank <i>pari passu</i> in all respects with the Existing Shares and amongst themselves. The 142,858,000 Existing Shares will be sold by MCI as to 71,429,000 Shares and by Juliet as to 71,429,000 Shares.
Invitation Price	US\$0.63 for each Placement Share and each Reserved Share, and S\$1.071 for each Offer Share (other than the Reserved Shares) (<i>Note</i>).
The Offer.	The Offer comprises an offering of 57,142,000 Offer Shares to members of the public in Singapore, employees of the Group and others whom the Company believes have contributed to the success of the Group. In addition, certain qualifying shareholders of each of Del Monte Royal Foods, DelCorp and DelHold, who were registered as such on Friday, 16th July, 1999 will be offered an opportunity to participate in the Offer. By an announcement dated 7th July, 1999, each of Del Monte Royal Foods, DelCorp and DelHold invited qualifying shareholders to register their interest in acquiring Shares in the Company.
The Placement	The Placement comprises an offering of 228,573,143 Placement Shares to investors outside the United States (including investors in Singapore) to non-US persons in reliance on Regulation S under the Securities Act and in the United States to qualified institutional buyers, as defined in, and in reliance on, Rule 144A under the Securities Act.

Note: A fixed exchange rate of US\$1.00 : S\$1.70 has been used in determining the Invitation Price for the Offer Shares (other than the Reserved Shares). Where an application for Offer Shares (other than the Reserved Shares) is rejected or is accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded to the applicant in Singapore dollars in accordance with the terms and conditions for applications set out in Appendix I.

Over-Allotment Option	In connection with the Invitation, the Company has granted to the Global Coordinator, on behalf of the Placement Managers, the Over-Allotment Option which is exercisable, in whole or in part, at any time until 30 days after the commencement of trading in the Shares on the SES, which is expected to be on 2nd August, 1999, to subscribe, or procure subscribers for, up to an aggregate of 42,857,143 New Shares at the Invitation Price, solely to cover over-allotments, if any.
Purpose of the Invitation	The Directors consider that the listing of the Company and the quotation of the Shares on the Stock Exchange will enhance the Company's public image and enable it to tap the capital markets for the expansion of its businesses. In particular, it will facilitate the implementation of the strategies of the Company described under "Use of Proceeds". It will also provide members of the public and employees of the Group with an opportunity to participate in the success of the Group.
Use of Proceeds	The net proceeds from the issue of the New Shares (after deduction of estimated issue expenses but before taking account of any Shares which may be issued pursuant to the Over-Allotment Option) of approximately US\$85.85 million are expected to be utilised by the Company for the implementation of the Company's development strategy both by synergistic acquisitions and by investment in its existing core business. Pending deployment as aforesaid, the Company intends to invest such net proceeds in short-term fixed income securities or to repay certain short-term borrowings, as the Directors may deem fit.
Reserved Shares	28,571,000 Offer Shares will be reserved for employees of the Group and others whom the Company believes have contributed to the success of the Group. The Reserved Shares will otherwise be offered on the same terms as the other Offer Shares. In the event that any of the Reserved Shares are not taken up, they may be made available to satisfy excess applications made for the Offer Shares (other than the Reserved Shares) or, in the event of an under-subscription for the Offer Shares, to satisfy excess applications for the Placement Shares.
Listing Status	The Shares will be quoted on the Main Board of the SES in US dollars, subject to admission of the Company to the Official List of the SES, and permission for dealing in, and for quotation of, the Shares (including the New Shares) being granted by the Stock Exchange.

INVITATION STATISTICS

Certain statements contained in this section constitute "forward-looking statements". These forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Some of these factors are discussed in more detail under "Risk Factors". See also the section under "Cautionary Note Regarding Forward-Looking Statements".

Invitation Price per Placement Share and per Reserved Share	US\$0.63
Invitation Price per Offer Share (other than Reserved Shares) (Note 1)	S\$1.071

EARNINGS

Historical

Pro forma consolidated net earnings per Share for the year ended 31st December, 1998 based on a pre-Invitation issued share capital of 1,000,000,000 Shares 3.53 US cents

Forecast

Forecast pro forma consolidated net earnings per Share for the year ending 31st December, 1999 on a pro forma fully diluted basis (Note 2) 3.85 US cents

Forecast pro forma consolidated net earnings per Share for the year ending 31st December, 1999 based on the weighted average issued share capital of 1,059,523,809 Shares (Note 3) 3.96 US cents

PRICE EARNINGS RATIO

Historical

Price earnings ratio based on the pro forma consolidated net earnings per Share for the year ended 31st December, 1998, a pre-Invitation issued share capital of 1,000,000,000 Shares and the Invitation Price of US\$0.63 17.85 times

Forecast

Price earnings ratio based on the forecast pro forma consolidated net earnings per Share for the year ending 31st December, 1999 on a pro forma fully diluted basis and the Invitation Price of US\$0.63 (Note 2) 16.36 times

Price earnings ratio based on the forecast pro forma consolidated net earnings per Share for the year ending 31st December, 1999, the weighted average issued share capital of 1,059,523,809 Shares and the Invitation Price of US\$0.63 (Note 3) 15.91 times

NET TANGIBLE ASSETS

NTA Per Share

Based on the pro forma consolidated net tangible assets as at 31st December, 1998 and on a pre-Invitation issued share capital of 1,000,000,000 Shares 5.14 US cents

Based on the pro forma consolidated net tangible assets as at 31st December, 1998 after adjusting for the estimated net proceeds from the issue of the New Shares and based on a post-Invitation issued share capital of 1,142,857,143 Shares 12.01 US cents

Premium to NTA per Share

Premium of the Invitation Price of US\$0.63 to the pro forma consolidated net tangible assets as at 31st December, 1998 per Share based on a pre-Invitation issued share capital of 1,000,000,000 Shares 1125.68%

Premium of the Invitation Price of US\$0.63 to the pro forma consolidated net tangible assets per Share as at 31st December, 1998 after adjusting for the estimated net proceeds from the issue of the New Shares and based on a post-Invitation issued share capital of 1,142,857,143 Shares 424.56%

DIVIDENDS

Forecast final gross dividend per Share for the year ending 31st December, 1999 based on a post-Invitation issued share capital of 1,142,857,143 Shares 0.51 US cent

Forecast gross dividend yield per Share for the year ending 31st December, 1999 based on a post-Invitation issued share capital of 1,142,857,143 Shares and the Invitation Price of US\$0.63 1.92%

Forecast dividend cover for the year ending 31st December, 1999 based on the forecast pro forma consolidated profit divided by the forecast total gross dividend, assuming that the Company had been listed since 1st January, 1999, each for the year ending 31st December, 1999 3.03 times

Notes:

- (1) A fixed exchange rate of US\$1.00 : S\$1.70 has been used in determining the Invitation Price for the Offer Shares (other than the Reserved Shares).
- (2) The calculation of the forecast pro forma consolidated net earnings per Share is based on the forecast pro forma consolidated profit after taxation and minority interests and after extraordinary items of the Group for the year ending 31st December, 1999 assuming that the Company had been listed since 1st January, 1999 and based on an assumption that a total of 1,142,857,143 Shares had been in issue during the year and that the Over-Allotment Option is not exercised, but takes no account of any Shares which may be issued under the ESOP or which may be issued or repurchased by the Company. The forecast pro forma consolidated profit after taxation and minority interests and after extraordinary items of the Group for the year ending 31st December, 1999 for the purpose of this calculation has been adjusted to take into account the interest income that would have been earned if the net proceeds from the issue of the New Shares pursuant to the Invitation had been received on 1st January, 1999 and interest, net of tax, had been earned thereon at a rate of 4 per cent. per annum from such date to the expected date of receipt of the net proceeds. The bases and assumptions of the forecast pro forma consolidated profit after taxation and minority interests and after extraordinary items for the year ending 31st December, 1999 are set out under "Analysis of Financial Condition and Results of Operations — Profit Forecast and Dividends".
- (3) The calculation of the forecast net earnings per Share on a weighted average basis is based on the forecast consolidated profit after taxation and minority interests and after extraordinary items of the Group for the year ending 31st December, 1999, the weighted average number of 1,059,523,809 Shares expected to be in issue during the year, and the assumption that the Over-Allotment Option is not exercised, but takes no account of any Shares which may be issued under the ESOP or which may be issued or repurchased by the Company. The weighted average number of 1,059,523,809 Shares is calculated assuming that 142,857,143 New Shares were issued by the Company on 30th July, 1999.

SELECTED PRO FORMA CONSOLIDATED FINANCIAL DATA

The selected pro forma consolidated financial data set out below as at and for the three years ended 31st December, 1998 have been derived from the Accountants' Report contained in this Prospectus and should be read in conjunction with, and are qualified in their entirety by reference to, such financial statements, including the notes thereto. See the Accountants' Report contained in this Prospectus, including the notes therein, for a discussion of the basis upon which the pro forma consolidated financial data have been presented. The pro forma consolidated financial information contained therein are prepared and presented in accordance with IAS.

The selected unaudited pro forma consolidated financial data set out below as at and for the four months ended 30th April, 1998 and 1999 have been derived from the Group's unaudited pro forma consolidated financial statements contained in this Prospectus and should be read in conjunction with, and are qualified in their entirety by reference to, such financial statements. These financial statements have been prepared on the basis of accounting policies consistent with those appearing in the Accountants' Report set out in this Prospectus.

Pro Forma Results of Operations of the Group (Note 1)

	Year ended 31st December,			Unaudited Four Months ended 30th April,	
	1996	1997	1998	1998	1999
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
Turnover	<u>203,524</u>	<u>211,463</u>	<u>185,588</u>	<u>49,774</u>	<u>56,569</u>
Profit before interest	26,284	39,943	46,890	10,700	12,025
Interest, net	<u>(5,573)</u>	<u>(7,944)</u>	<u>(6,674)</u>	<u>(2,574)</u>	<u>(1,222)</u>
Profit before taxation	20,711	31,999	40,216	8,126	10,803
Taxation	<u>(1,534)</u>	<u>(3,590)</u>	<u>(4,962)</u>	<u>(472)</u>	<u>(680)</u>
Profit after taxation	<u>19,177</u>	<u>28,409</u>	<u>35,254</u>	<u>7,654</u>	<u>10,123</u>
Earnings per Share (US cents) (Note 2) . . .	<u>1.92</u>	<u>2.84</u>	<u>3.53</u>	<u>0.77</u>	<u>1.01</u>

Notes:

- (1) The pro forma results of operations of the Group were prepared on the basis that the corporate structure of the Group set out under "Restructuring Exercise — Organisational Structure" had been in existence since 1st January, 1996.
- (2) For comparative purposes, the earnings per Share calculation is based on the pre-Invitation issued share capital of 1,000,000,000 Shares.

Pro Forma Financial Position of the Group (Note 1)

	As at 31st December,			Unaudited as at 30th April,	
	1996 (US\$'000)	1997 (US\$'000)	1998 (US\$'000)	1998 (US\$'000)	1999 (US\$'000)
Fixed assets	34,701	24,192	29,400	25,607	30,409
Intangible assets	11,436	11,564	11,546	11,527	10,730
Other assets	4,376	4,328	3,810	4,135	3,208
Current assets	97,212	90,759	98,102	110,345	106,626
Current liabilities	(77,812)	(75,085)	(66,038)	(86,487)	(81,624)
Net current assets	19,400	15,674	32,064	23,858	25,002
Non-current liabilities	(16,323)	(13,817)	(13,922)	(14,488)	(14,210)
	<u>53,590</u>	<u>41,941</u>	<u>62,898</u>	<u>50,639</u>	<u>55,139</u>
Represented by:					
Share capital	10,000	10,000	10,000	10,000	10,000
Reserves	43,590	31,941	52,898	40,639	45,139
	<u>53,590</u>	<u>41,941</u>	<u>62,898</u>	<u>50,639</u>	<u>55,139</u>
NTA per Share (US cents) (Note 2)	<u>4.22</u>	<u>3.04</u>	<u>5.14</u>	<u>3.91</u>	<u>4.44</u>

Notes:

- (1) The pro forma financial position of the Group was prepared on the basis that the corporate structure of the Group set out under "Restructuring Exercise — Organisational Structure" had been in existence since 1st January, 1996.
- (2) For comparative purposes, NTA per Share is calculated based on the pre-Invitation issued share capital of 1,000,000,000 Shares.

RISK FACTORS

Prior to making an investment decision, prospective subscribers and purchasers of Shares should carefully read the entire Prospectus. Subscribers and purchasers should consider, among other things, certain considerations including but not limited to those set out below with respect to an investment in a company, a significant proportion of the assets and operations of which are based in the Philippines, not normally associated with investments in the securities of issuers incorporated in Singapore, the United States, the United Kingdom or certain other jurisdictions.

General

Investors in companies with operations in emerging markets should be aware that these markets are subject to greater risks than more mature markets, including in some cases significant legal and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

Summarised below are a number of risk factors generally associated with investment in Philippine entities or entities with significant exposure to the Philippines, as well as a number of risk factors particularly associated with an investment in the Company. The attention of potential investors is drawn to these risk factors. However, these are not intended to be exhaustive and there may be other risk factors which should be taken into account in relation to an investment in a company, a significant proportion of the assets and operations of which are based in the Philippines, generally, or the Company in particular. Investors should also note that a feature of emerging markets is that they are subject to rapid change and the information below may be outdated relatively quickly.

Asian Economic Factors

Since July 1997, a number of East Asian countries have suffered severe economic problems. Several of these countries recorded low or negative gross domestic product growth in 1998. The value of regional currencies has declined relative to the US dollar and certain countries depleted their foreign currency reserves in attempts to maintain the value of their currencies. The currency depreciation caused increases in inflation which, in turn, led to higher interest rates and a general tightening of liquidity and reduction in credit available to businesses for working capital. Many financial investors also withdrew their capital from the region, exacerbating the credit crisis and further depleting reserves. Producer prices in a number of countries rose more than consumer prices. Certain countries have recently had surpluses in their trade of goods and services. These surpluses, however, generally resulted from reduced imports rather than increased exports, as depreciating currencies have depressed regional demand and the credit shortage has made it difficult to obtain working capital for production purposes. The ongoing recession in Japan has also hurt regional exports. As the region's economies have declined and businesses have suffered, the quality of the assets of the region's financial institutions has deteriorated significantly, with non-performing loans rising significantly in many countries. The financial crisis has also contributed to a number of political and social changes in the region.

Such instability and economic problems have had, and may continue to have, an adverse effect on levels of consumer confidence across Asia and consequent levels of consumer spending on branded products. This has had an impact on the Group's business and results both within the Philippines and in its trading levels to Kikkoman, which holds the Del Monte brand licence for certain Asian and Pacific Rim countries (other than the Group's rights in the Philippines and the Indian subcontinent) and Del Monte Fresh Produce, a subsidiary of the Del Monte licensee for fresh fruit, vegetables and produce worldwide, with each of which the Group has a long-term customer supply agreement.

Whilst the Asian economies now seem to be stabilising and signs of a return of international confidence have been evident, there can be no assurance that such stabilisation will continue nor that further deteriorations in Asian economies and levels of consumer confidence will not occur.

See "Analysis of Financial Condition and Results of Operations — Summary of Pro Forma Operating Results" for a discussion of the effects of currency exchange rates on the Group and the "Conversion Factor" in particular.

Philippine Political and Economic Factors

The current climate of growth and stability in the Philippines has contributed to the Group's sound performance. The country's overall political situation has been relatively stable and peaceful throughout the 1990s. Former President Fidel V. Ramos, elected to office in 1992, governed through an administration intent on implementing widespread structural reforms. Recovery and advancement through measures of liberalisation and privatisation were central policies. The overall vision was for a "Philippines 2000", or the attainment of a newly-industrialised status for the Philippines by 2000. In June 1998, Joseph Ejercito Estrada was elected as the 13th president of the Philippines, vowing to continue the economic reforms initiated by the Ramos administration. His major policy thrust is for the Philippines to emerge at the forefront of the Asian economies post-crisis through the implementation of his administration's policies which are designed to help the poor, stimulate the agricultural sector and assist free market development. He has identified five critical points which will be prioritised by his administration: market-orientated economic development, peace, law and order and political development, the advancement of Philippine interests through strong external relations, protection of the environment towards sustainable development, and social development. There can be no assurance that present economic priorities will be continued.

The economic turbulence in Southeast Asia from 1997 to 1998 has affected the Philippine economy in a number of ways. Developments have included the depreciation of the Peso, an increase in Peso interest rates, an increase in unemployment and inflation, increased volatility and a decline in prices in the domestic stock market. However, during the first nine months of President Estrada's administration, the country's principal economic statistics have shown improvement. In the first quarter of 1999, GDP improved by 1.2 per cent. year-on-year and, in June 1999, inflation was contained at 5.8 per cent., down from 10.7 per cent. in June 1998. The Peso-US dollar exchange rate has stabilised at around ₱38.05 as at 30th June, 1999, having strengthened from ₱43.8 as at 30th September, 1998. Since June 1998 up to 30th June, 1999, the Philippine Composite Index has improved by 41.3 per cent. and the 91-day treasury bill rate has fallen from 14.0 per cent. to 8.5 per cent. Although the Government has recently adopted a number of measures designed to strengthen the Philippine economy, there can be no assurance that these or other measures that may be implemented in the future will be effective.

The growth and profitability of the Company may be influenced by the general political situation in, and the state of the economy of, the Philippines. Any political or economic instability in the future may have a negative effect on the financial results of the Company and the level of dividends paid.

Any potential investor in, and buyer of, the Shares should pay particular attention to the fact that one of the Company's major subsidiaries is governed in the Philippines by a legal and regulatory system which, in some respects, may differ from that which prevails in Singapore and in other developed economies.

ASEAN and AFTA

The governments of the member states of the Association of Southeast Asian Nations ("ASEAN") have agreed to a programme of tariff reductions, setting the target of complete liberalisation among the 10 ASEAN member states by the year 2003. The ASEAN Free Trade Area ("AFTA") target of having 90 per cent. of intra-ASEAN trade subject to tariffs of no more than 5 per cent. has been set for 2003. If these and other targets are achieved on schedule, the overall impact is expected to be one of additional growth momentum as the ASEAN nations will be liberalising trade between member states which together have a population of approximately 500 million.

As of the date of this Prospectus, non-Philippine suppliers of pineapple products are subject to a tariff of between 10 per cent. and 20 per cent. on the import of pineapples and pineapple products into the Philippines. However, pursuant to AFTA, tariffs on such products from ASEAN countries such as Thailand and Indonesia will be reduced to between 10 per cent. and 15 per cent. by 2000 and to 5 per cent. by 2003. Such tariff reduction would benefit any potential future Thai and Indonesian imports into, and may increase competition in, the Philippine market, potentially putting pressure on the Group's margins and market share.

Trademark and Corporate Name Risk

The Del Monte trademark is licensed by the trademark owner, Del Monte USA, to various companies around the world which are independent of the Company. The common stock of two licensees, Fresh Del Monte Produce Inc. and Del Monte Royal Foods, are publicly traded in the United States and the Republic of South Africa, respectively, and Del Monte USA is itself publicly traded in the United States. The shares

of both the holding company of Del Monte Royal Foods, DelCorp, and its holding company, DelHold, are also publicly traded in the Republic of South Africa. Acts or omissions by any of such companies or any of the licensees of the Del Monte trademark may adversely affect the value of the Del Monte trademark, the trading prices for Shares and demand for the Group's products.

A number of companies within the Group use the words "Del Monte" as part of their corporate name. Third party announcements or rumours about the licensees and product liability issues concerning them or challenges to the use of the corporate name could also have negative effects on the Del Monte trademark or the Group.

Earnings from Operations in and out of the Philippines

The Group's profitability from existing operations will be determined principally by the performance of its investment in the Philippines and of its international sales of the Group's products. The Group's overall earnings from its trading activities with international customers are expected to be primarily affected by movements in the worldwide consumption of and demand for pineapple, the success of its long-term customers in developing their own market share in pineapple and pineapple products, and the prices for such products.

While the Philippine market has exhibited growth in recent years in terms of its contribution to the Group's revenues and profits from the production and sale of Del Monte branded processed food products, the overall profitability of DMPI is expected to be primarily affected by: (i) the results of DMPI's continuing programme to develop further the Del Monte brand and increase further its share of the Philippine market through the expansion of its product lines; (ii) the stability of the Philippine market in so far as it relates to the Company's products; (iii) DMPI's capacity to grow most of its pineapple supply which is influenced by, among other factors, climatic extremes and natural disasters; (iv) the ability of DMPI to continue to control plantation and cannery costs on a sustainable basis; and (v) the exchange rate of the Peso against the US dollar.

Relationship with and between Principal Shareholders

Pooling Agreement

Following completion of the Invitation, Macondray (through its wholly-owned subsidiary, MCI) will be the owner of 428,572,000 Shares and Del Monte Royal Foods (through its wholly-owned subsidiary, Juliet) will be the owner of 428,570,000 Shares, representing (on the assumption that the Over-Allotment Option is not exercised) 75 per cent. of the Company's issued share capital. Under the Pooling Agreement, MCI and Juliet have agreed, *inter alia*, to (a) procure that the Board shall include an equal number of Directors to be nominated by each of MCI and Juliet; (b) procure that the board of directors of DMPI shall comprise a majority of directors nominated by MCI, and the boards of directors of DMPRL and of all other companies within the DMPRL Group (other than DMPI) shall comprise a majority of directors nominated by Juliet; and (c) consult with each other prior to any meeting of the shareholders or Directors to determine their position on matters relating to the Company. The Shares which are subject to the Pooling Agreement (the "Voting Pool Shares") comprise such number of Shares contributed by MCI and Juliet from time to time to be held in the voting pool established pursuant to the Pooling Agreement (the "Voting Pool"). Following completion of the Invitation, the Voting Pool Shares will comprise 582,857,143 Shares (representing 51 per cent. of the issued share capital of the Company) of which 251,428,572 Shares (representing 22 per cent. of the Company's issued share capital) will be contributed by MCI, and 331,428,571 Shares (representing 29 per cent. of the Company's issued share capital) will be contributed by Juliet, in each case on the terms of the Pooling Agreement. Unless contributed to the Voting Pool, the remainder of the Shares held by MCI and Juliet will not be subject to the terms of the Pooling Agreement. For further information see "Ownership Structure and Principal Shareholders — Relationship between Macondray Group and Del Monte Royal Foods".

Under the terms of the Pooling Agreement, major strategic decisions and major corporate actions in relation to the Company and each of its subsidiaries may only be taken if first approved by MCI and Juliet. If the parties to the Pooling Agreement do not agree on such decisions and corporate actions, the decision making process of the Group may become deadlocked, which deadlock if not resolved promptly (either pursuant to the dispute resolution procedure provided in the Pooling Agreement or otherwise) may be detrimental to the interests of the Company and its shareholders.

Prior to the Invitation, MCI and Juliet were parties to a shareholders' agreement in relation to DMPRL (the former holding company of the Group) which contained provisions similar to those described above regarding boards of directors and the determination of major strategic decisions and major corporate actions. Whilst the DMPRL Group has operated successfully during the three year period in which such shareholders' agreement was in place and without having to resort to the procedures for resolving deadlocks, there can be no assurance that this will continue to be the case in the future.

The Pooling Agreement contains pre-emptive rights and "tag-along" rights (described further in "Ownership Structure and Principal Shareholders — Relationship between Macondray Group and Del Monte Royal Foods") which apply to the transfer of all or part of the Voting Pool Shares by the parties to the Pooling Agreement. As a result, the Shares held in the Voting Pool are not freely transferable. This may affect the liquidity of the Shares on the Stock Exchange and may have an effect on trading prices for Shares.

Conflicts of Interest

Juliet is an indirect wholly-owned subsidiary of Del Monte Royal Foods, which is a holding company of a group of companies involved in the processing, marketing and distribution of Del Monte branded fruit products, beverages, dried mixed food products and confectionery.

Del Monte International, an indirect wholly-owned subsidiary of Del Monte Royal Foods, sources part of its requirement for fruit products and beverages from the Group pursuant to a long-term supply agreement with Del Monte International dated 1st March, 1990 (the "DMI Supply Agreement") under which the Group supplies its products to Del Monte International for distribution in the European, African and Middle Eastern markets. In the three years ended 31st December, 1998, sales made under the DMI Supply Agreement accounted for 15.5 per cent., 19.2 per cent., and 26.3 per cent., respectively, of the Group's total international sales of processed food products.

Del Monte Royal Foods, through Del Monte Kenya, an indirect wholly-owned subsidiary, operates a pineapple plantation of approximately 9,700 hectares and a processing operation in Kenya which it uses to source part of its requirement for processed pineapple products.

On 17th May, 1999, it was announced that Del Monte Royal Foods had acquired a major interest in SAICO, which operates a pineapple plantation and processing facility in Thailand. Certain of the Directors of the Company, including Mr V.S. Imerman, the Joint-Managing Director of the Company, Mr P.S. Danowa and Mr J. Fragis are also directors of SAICO and of Del Monte Kenya. Whilst Del Monte Royal Foods currently sources only a small part of its requirement for processed pineapple products from SAICO, recent press reports have indicated that it intends to increase SAICO's production capacity for pineapple from 20,000 tonnes to approximately 250,000 tonnes in the medium term. In addition, Del Monte International has for some years ordered volumes of product in excess of its minimum purchase requirements under the DMI Supply Agreement. Each of SAICO and Del Monte Kenya represents a potential source of competition to the Group. Insofar as all or part of any increase in processed pineapple tonnages produced by SAICO or Del Monte Kenya are supplied to Del Monte Royal Foods (without an equivalent increase in the tonnages supplied by the Group) and/or Del Monte International restricts orders for processed pineapple products to the minimum required under the DMI Supply Agreement, this could affect demand for the Group's products and therefore the profits of the Group.

Del Monte Royal Foods has, however, indicated that it is not its intention that SAICO will acquire businesses or companies located outside of Thailand which compete with the business of the Group. Moreover, any acquisition of such businesses or companies within or outside Thailand would be subject to certain rights of first refusal in favour of the Company pursuant to the Non-Competition Deed, as described further in "Ownership Structure and Principal Shareholders — Non-Competition Deed".

Furthermore, the DMI Supply Agreement has been amended (pursuant to a second addendum) to provide (i) an option in favour of CARI (which option must be exercised on or before 31st July, 2001) to postpone for up to three years from 29th March, 2006, the earliest date on which three years' written notice to terminate the DMI Supply Agreement may be given by either party and (ii) an obligation on the part of Del Monte International, following 60 days' notice thereof from the Company, to purchase a fair allocation (based on the Group's existing practices for allocating such surplus) of the surplus derived from the plantings of the Group over the Group's aggregate minimum supply obligations with its international customers.

Whilst Del Monte Royal Foods has a significant interest in the Group and in ensuring its continued profitability, there can be no assurance that Del Monte International will not source additional requirements for processed fruit products and beverages from SAICO or from Del Monte Kenya rather than from the Group.

In order to seek to mitigate the potential for conflicts of interest arising between Del Monte Royal Foods and/or Macondray with the business of the Group, the Company has entered into the Non-Competition Deed pursuant to which DMGL, a subsidiary of Del Monte Royal Foods and the immediate holding company of Juliet, and Macondray have each agreed (subject to an exclusion for existing businesses and, in the case of DMGL, in the event the DMI Supply Agreement has terminated) for the period in which it is a direct or indirect 10 per cent. shareholder of the Company and for 18 months thereafter not to be interested in any undertaking which competes with the Group in certain countries in Asia.

In addition, pursuant to the Non-Competition Deed, each of DMGL and Macondray has agreed to offer the Company a right of first refusal over acquisition opportunities in respect of businesses or companies in certain countries in Asia which compete with the Group, subject to certain alternative arrangements where the relative value of the competing activity is small. The Company has agreed to offer DMGL a right of first refusal over acquisition opportunities in respect of businesses or companies which compete with DMGL in certain countries in Europe, the Middle East and Africa (the “DMG Territory”), subject to certain alternative arrangements where the relative value of the competing activity is small or where competition arises only as a result of the distribution of competing products in such territories. Furthermore, under the DMI Supply Agreement, the Group is obliged not to solicit, procure or accept orders from purchasers (other than Del Monte International) for the supply of products falling within the terms of such agreement in the DMG Territory — see further “Business of the Group — International Markets — Del Monte International”. Such obligations could constitute a restraint on the Company’s ability to pursue acquisitions in Europe, the Middle East and Africa or to pursue acquisition opportunities outside such territories which compete in those territories with DMGL.

Further details of such non-competition arrangements are set out in “Ownership Structure and Principal Shareholders — Non-Competition Deed”, “Directors, Senior Management and Employees — Related Party Transactions — Conflicts of Interest” and “General and Statutory Information — Material Contracts”.

Related Party Transactions

The Company and its subsidiaries will, in the ordinary course of their respective businesses, enter into transactions with their principal shareholders and with companies affiliated with them. These transactions include the sale of the Group’s products under the DMI Supply Agreement and the purchase of canned deciduous fruit products for sale in the Philippines. See “Directors, Senior Management and Employees — Related Party Transactions” for details of such transactions which are expected to continue after the completion of the Invitation and the arrangements to be put in place to ensure that they are carried out on arm’s length commercial terms and on a basis which is consistent with the Group’s usual business practices and policies. These arrangements will include the need to obtain a shareholders’ mandate for their continuance at each Annual General Meeting of the Company and the appointment of an audit committee of the Company, the majority of which will comprise independent Directors, to conduct regular periodic reviews of all related party transactions.

Competition

Several well established companies compete in the Philippine canned pineapple, mixed fruit, fruit juices and beverages and tomato product categories. Important competitive considerations include the following:

- Several of the Group’s product lines compete with imports, which competition may intensify as AFTA leads to a reduction in tariffs on imports.
- The Group’s continuing development of its consumer branded product line under the Del Monte brand name will increasingly bring it into potential competition with major global consumer product companies which are already present in the Philippine market.

Within the product range produced by the Group for the Philippine market, most competition currently comes from Philippine domestic producers. Increased competition from existing domestic producers, global consumer product companies with operations in the Philippines and importers and additional competition from new importers, if established in the future, may have a material adverse effect on the Group's margins and market shares.

Major Customers

The Group's current level of international sales is dependent on its top two international customers, which together accounted for 35.8 per cent. of its consolidated net sales in 1998. Although sales to these customers are governed by long-term supply contracts which are terminable on three years' notice after an initial fixed period, and while the Company believes that these contracts will be maintained in the future, there can be no assurance that these contracts will not be terminated or that the customers will not cease to operate. The Group's Philippine sales are made to a large number of customers, none of whom individually accounted for more than 2.5 per cent. of the Group's consolidated net sales in 1998. Termination of either of the long-term supply contracts with the Group's top two international customers could have a material adverse effect on the Group's sales revenues.

Land Rights

Leasehold Property

The Group leases a total of approximately 17,500 hectares of land for its pineapple growing operations in Mindanao, the Philippines, approximately 8,500 hectares of which are under leases with over 1,700 private landowners. Such leases typically provide for an initial 10-year lease period renewable at the Group's option on a cycle-to-cycle basis, up to five cycles, with each cycle averaging 40 months. Lease agreements for some 2,300 hectares of such privately leased land have been negotiated since 1997 to provide for additional lease terms of 20 years. However, there is no assurance that such leases will be continually renewed and on terms favourable to the Group.

In January 1997, the Group concluded negotiations with the Del Monte Employees' Cooperative for the renewal of the lease covering approximately 8,000 hectares for a term of 25 years effective from 11th January, 1999. This may be further renewed by agreement of the parties. Any future changes in legislation relating to the coverage or implementation of the Government's agrarian reform programme may affect the lease from the Del Monte Employees' Cooperative.

In addition, the Group has under lease approximately 1,000 hectares from the National Development Corporation, a Philippine government-owned and controlled corporation. This lease was amended on 14th October, 1997 to provide for its automatic renewal for a covenanted lease term of 25 years upon expiry on 1st March, 2007. This lease may be affected by any future change in the disposition of public lands owned by government-owned or -controlled corporations.

Extension of Land Rights

The Group believes that it has complied with all current requirements in relation to its leases and takes all necessary steps to ensure that the leases for its pineapple growing operations are extended from time to time. However, changes in circumstances may occur which delay or prevent the Group obtaining the renewal of some or all of its leases. In addition, it is possible that leases could be revoked by the relevant authority. Should the leases for the Group's pineapple growing operations be revoked or not extended on expiry, the Group may not be able to operate on the properties to which such rights apply, with a consequential material adverse effect on the Group's business and results of operations.

Operating Risk Insurance

The business of the Company and its subsidiaries could be adversely affected by events such as the breakdown of equipment, power failures, unscheduled production shutdowns, difficulties or delays in obtaining raw materials, labour disputes, fire, explosion, weather, natural disasters, industrial accidents or the need to comply with governmental directives concerning matters such as environmental protection. The Group maintains insurance against some, but not all, of these events. Whilst the Directors consider that insurance arrangements for the Group are adequate both in terms of the insured risks and the amount

insured, there can be no assurance that such events will not occur, that any insurance maintained by the Group will be adequate to cover any losses or liabilities or that the occurrence of such events would not adversely affect the financial condition or operations of the Group.

DelHold arranges group insurance coverage on a global basis which has the effect of maximising economies of scale and optimising premium savings. Such group insurance covers property damage and interruption, public and products liability, contingency risk and crime, and other liability cover. DelHold then charges the Group a pro rata share of the aggregate premium based on turnover, value of assets and geographical location. Various deductions apply to the programme. It is expected that these arrangements will be continued after the listing of the Shares on the Stock Exchange. Accordingly, acts or omissions of third parties may have an impact on its insurance arrangements which could lead to higher premium rates or to risks not being adequately covered.

Adverse Weather and Climate Conditions

The Philippines has experienced a number of major natural catastrophes over the years including typhoons, volcanic eruptions and earthquakes which, were they to recur, may materially disrupt and adversely affect the business operations of the Group. Severe weather conditions and natural disasters, such as floods, droughts, earthquakes or pestilence, may affect the supply of the Group's products. These events can result in reduced supplies of pineapples or raw materials or interruptions in the Group's production schedules if, for example, harvests are delayed or reduced.

Every five years or so an El Niño (a huge pool of warm water driven by easterly blowing winds, drifting along the equator toward the western tip of South America) arises in the tropical waters between the Western Pacific and South America. The cause of El Niño is not known but it is thought to be caused by lava from beneath the earth's surface erupting between the tectonic plates on the Pacific ocean floor and heating the overlying water. El Niño is the most significant cause of climatic changes around the world, causing droughts and storms affecting the weather from Africa to South America. The last El Niño, in 1997 and 1998, caused drier than normal conditions in Indonesia, the Philippines, Thailand, northern Australia, northeastern Brazil and Central America. It brought severe drought to southeastern Africa and heavier than normal rains in areas of South America, the United States and central China.

Insufficient rainfall has an adverse effect on pineapple production yields. As a result of the most recent El Niño and the resultant drought that affected the Philippines in late 1997 and early 1998, the Group's pineapple production yields were reduced by around 9 per cent. in 1998 and the Directors believe that the agricultural yields of a number of its principal competitors were reduced to a greater extent. See "Analysis of Financial Condition and Results of Operations" below for a discussion of El Niño on the Group's operations.

Mindanao Security Situation

The Group's pineapple plantation is situated in northern Mindanao, the Philippines. Since the 1960s, several Muslim and communist groups in Mindanao have sought the complete autonomy of Mindanao from the rest of the Philippines and the establishment of a separate constitution. Until recently, the Philippine government and the various separatist groups have been engaged in varying levels of prolonged armed conflict after failing to reach any form of resolution. In 1990, the government successfully negotiated a peace settlement with the largest of the separatist groups, through the establishment of the Autonomous Region in Muslim Mindanao ("ARMM") in southwestern Mindanao, which aims to hasten the economic development of Muslim areas. At present, the ARMM only covers four Mindanao provinces, since the predominantly Christian residents of the other 14 provinces and 10 cities voted not to join the ARMM through a plebiscite in 1989. After a second plebiscite is conducted in the third quarter of 1999 to decide upon the possible expansion of the number of ARMM member provinces, elections for a new governor of the ARMM will be scheduled.

Although separatist groups still exist, most of their armed activities are confined to areas in central Mindanao where they have camps. However, the government has expressed strong resolve to settle the conflict by continuing to conduct peace talks with the goal of achieving further peace pacts similar to that already signed.

All of the operations of the Group based in Mindanao are located in the northern part of the island where the population is predominantly Catholic. However, any extension of separatist group activities into the northern part of Mindanao could cause a disruption to the Group's operations which could, in turn, have a significant effect on the Group's supply of pineapple raw materials to its cannery.

Current Corporate and Tax Structure

The Group is currently structured to benefit from favourable international tax regimes. However, there can be no assurance that the incidence of tax incurred historically and the effective tax rate of the Group will not change as further tax reforms may be introduced and changes may be made to the existing corporate structure of the Group that may have a material effect on the Group.

Environmental Issues

As a result of its agricultural, food processing and canning activities, the Group is subject to various environmental laws and regulations. Compliance with many of these laws and regulations brings with it ongoing costs. Although the Group believes that it is in compliance in all material respects with these environmental laws, some risk of environmental costs and liabilities is inherent in its operations and there can be no assurance that material costs and liabilities will not be incurred in the future in this regard. However, the Group believes that its investment in the waste water treatment facility at the Bugo cannery in 1996 has positioned it to deal satisfactorily with relevant environmental issues in this area.

Systems and Year 2000

The Year 2000 ("Y2K") is an issue for users of computer systems throughout the world. The date change from 1999 to 2000 may affect the function of computer systems when the year is represented within those systems by two digits rather than four; for example, "1995" is stored as "95". Similarly, the year "2000" would be stored as "00". Computer systems processing a "00" date may interpret it as "1900", with the consequence that incorrect date calculations could be made resulting in processing errors and, possibly, system failures.

The Group has established a programme designed to ensure that the impact of the transition to the Y2K on the Group is minimised by seeking to ensure that its key networks and systems, where these are not being assumed under the SAP system which itself is Y2K compliant, are Y2K compliant before 31st December, 1999. In addition, the Group has, over a number of years, made significant investments in both the hardware and software which comprise its information technology systems, including the SAP software system (see "Business of the Group — Information System" and "— Year 2000 Compliance" below).

However, the Y2K problem is unique. While substantially all companies are endeavouring to ensure their networks and systems are Y2K compliant, there can be no assurance that the steps taken by any company, including the Group, will successfully minimise vulnerabilities of its software and systems, or those of its suppliers, to the problems associated with the transition to the Y2K. No assurances can be given that either the Group's systems or the systems of third parties will function as expected or satisfactorily or that, if problems occur, they will not have a material adverse effect on the Group's operations and financial performance. Management has taken and will continue to take steps to determine the extent to which its systems will be subject to vulnerability upon the transition of dates on its systems from 1999 to the Y2K.

Exchange Rate Fluctuations and Foreign Exchange Regulations

The Group's reporting currency is the US dollar. In 1998, 46.5 per cent. of the Group's revenues and 61.0 per cent. of the Group's cost of goods sold were denominated in Pesos. In 1998, 53.5 per cent. of the Group's sales were denominated in US dollars. Significant decreases or a devaluation in the exchange rate of the Peso against the US dollar can materially favour the Group's reported and actual financial performance as its Peso-denominated costs will be reduced in US dollar terms.

On the other hand, significant increases or appreciation in the exchange rate of the Peso against the US dollar can materially affect the Group's reported and actual financial performance as export margins will be affected by the Peso-denomination of costs which will increase in US dollar terms. In addition, certain of

the Group's products (such as its tomato-based products) have substantial foreign currency cost components. To the extent that these products are sold in the domestic Philippine market, margins on these products may decrease as a result of the Peso-denomination of such sales.

However, the Group has hitherto been able to offset the effects of the recent depreciation in the Peso as the Group's international sales have combined to account for more than 50 per cent. of its consolidated net sales.

The Group borrows not only in Pesos but also in US dollars and, to that extent, it has a natural hedge against its US dollar receivables.

See "Analysis of Financial Condition and Results of Operations — Summary of Pro Forma Operating Results" for a further discussion on the effects of currency exchange rates on the Group and the "Conversion Factor" in particular.

The foreign exchange gains and losses of the Group for the three years ended 31st December, 1996, 1997 and 1998 are as follows:

	Year ended 31st December,		
	1996	1997	1998
	(US\$'000)	(US\$'000)	(US\$'000)
Exchange gain/(loss)	248	3,532	(287)

See the section under "Philippine Exchange Rates and Exchange Controls" in Appendix VII of this Prospectus for a discussion of foreign exchange controls in the Philippines.

Exposure to Tin Plate Price Fluctuations

Tin plate is one of the Group's principal raw materials. Only the highest quality tin plate can be used for canning pineapple and other acidic fruits.

In the years immediately preceding the Asian economic crisis which commenced in mid-1997, demand was buoyant for all types of tin plate and tin plate mills were running at approximately 85 per cent. capacity. From mid-1997 to late 1998, tin plate usage in Asia fell and excess supply led to a decline in tin plate price. In early 1999, recovering Asian economies have reinvigorated fruit demand leading in turn to a firming of tin plate prices.

There can be no assurance that any increase in the cost of tin plate can be passed on to customers. A substantial increase in such costs (if not passed on through price increases) or a significant decrease in the supply of tin plate could result in, among other things, reduced operating margins for the Group and could have a material adverse effect on the Group's results of operations.

See also "Business of the Group — Operations — Raw Materials".

Absence of Prior Public Market; Possible Volatility of Share Price

Prior to the Invitation, there has been no public market for the Shares and, although application has been made to list the Shares on the SES, there can be no assurance that an active trading market for Shares will develop or be sustained if it develops or that the market price for the Shares will not decline below the Invitation Price set out on the cover page of this Prospectus. The Invitation Price of the Shares will be determined by negotiation between the Company, the Selling Shareholders and the Global Coordinator and may not be indicative of the market price of the Shares following the Invitation. The market price of the Shares could be subject to significant fluctuations in response to various factors and events, including the liquidity of the market for the Shares, differences between the Group's actual financial or operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, pricing and competition in the processed pineapple and canned fruit industry, new statutes or regulations or changes in interpretation of existing statutes and regulations affecting the Group's business, changes in general market conditions and broad market fluctuations.

Market for the Shares and Delay in Initial Trading

Prior to the Invitation, there has been no trading market for the Shares. It is expected that all the Shares in issue after the completion of the Invitation will be listed on the SES after the Company complies with the listing requirements of the SES. It is expected, however, that trading of the Shares on the SES on a “when issued” basis will not begin until approximately two days after the close of the Invitation, thereby making an investment in the Shares illiquid before that date.

USE OF PROCEEDS

The net proceeds to the Company from the issue of the New Shares (after deduction of estimated issue expenses but before taking account of any Shares which may be issued under the Over-Allotment Option) are estimated to be approximately US\$85.85 million.

The net proceeds will be utilised by the Company to further its strategy of building on its strong existing production, distribution and brand positions to develop its position as one of Asia's leading integrated branded processed food and beverage companies. This will be implemented by a combination of growth by acquisition and by the organic development of the current core business through sustained and continuing capital investment.

The Directors anticipate that they will be focusing on upcoming acquisition opportunities which can build on the Group's existing key strengths in branded marketing, sales and distribution and processed food production and lever its high quality asset base, while maintaining a balance of high margin, strong cash flow businesses with strong growth opportunities.

The pineapple plantation and production sector, the processed foods sector and the branded fast moving consumer goods sector in Asia are already relatively concentrated. High quality acquisition opportunities are therefore not common, nor do they occur regularly or predictably, but they can be both of significant size and highly sought after, often by large multinational consumer brands companies or financial investors, many of whom have ready access to acquisition finance.

In order to be able to pursue such acquisition strategy credibly and with a realistic chance of success in a competitive environment, the Directors consider it to be in the best interests of the Company to raise potential acquisition finance in advance of such opportunities reaching the stage of negotiations.

The Company continuously reviews acquisition opportunities and at any time may be engaged in discussions with respect to an acquisition that may be material with respect to its operations. As at the date of this Prospectus, no agreement, arrangement or understanding has been reached with respect to any such acquisition.

In addition, part of the net proceeds will be applied to the development of the current core business by investment in the following:

- advanced packaging and processing techniques which support high quality brand growth;
- acceleration of the capital expenditure programme at the Group's cannery in Bugo, Mindanao, to enhance operating efficiencies and cost reduction; and
- a broadened product line by means of line extensions and additions of new products which lever the Group's existing strengths.

Until the listing of the Shares on the SES, and the satisfaction of certain other conditions, the gross proceeds of the issue of the New Shares will be held by the Receiving Banker. Upon such listing, and satisfaction of such conditions, the net proceeds of the issue of the New Shares will be disbursed in full to the Company. Pending the use of such net proceeds for the purposes specified above, the Company intends to invest such net proceeds in short-term fixed income securities or to repay certain short-term borrowings.

It is expected that the timing and final amount of disbursement to be made for the foregoing purposes shall be determined by the Board with a view to obtaining the optimum benefit for the Company and its subsidiaries. However, future events or developments, such as changes in market conditions and the availability of acquisition and other opportunities, among other factors, may make a change in the use of the net proceeds from that specified above necessary or desirable, subject to the proper and timely public disclosure of such intended changes.

The Company will not receive any of the net proceeds from the sale of the Existing Shares by the Selling Shareholders.

SHARE CAPITAL

The Company was incorporated in the BVI on 27th May, 1999 under the BVI Companies Act as a limited liability company. As at the date of this Prospectus, there is only one class of shares in the capital of the Company, being ordinary shares of US\$0.01 each. A summary of the Articles of Association of the Company relating to the voting rights of shareholders is set out in Appendix II of this Prospectus.

At a meeting of the Board of Directors held on 9th July, 1999, the Board of Directors approved, *inter alia*, the following:

- (a) the adoption of a new set of Memorandum and Articles of Association, which included an increase in the authorised share capital of the Company to US\$20,000,000 divided into 2,000,000,000 ordinary shares of US\$0.01 each;
- (b) the issue of 1,000,000,000 new ordinary shares of US\$0.01 each pursuant to the share exchange agreement, details of which are set out under “Restructuring Exercise”; and
- (c) the issue of the New Shares which are the subject of the Invitation. The New Shares will, when allotted, issued and fully paid-up, rank *pari passu* in all respects with the Existing Shares and amongst themselves.

As at the date of this Prospectus, the authorised share capital of the Company is US\$20,000,000 comprising 2,000,000,000 ordinary shares of US\$0.01 each and the issued and paid-up share capital of the Company is US\$10,000,000 comprising 1,000,000,000 Shares. Upon completion of the allotment and issue of the New Shares pursuant to the Invitation, the issued and paid-up share capital of the Company will increase to US\$11,428,571.43 comprising 1,142,857,143 Shares. Changes in the issued and paid-up capital of the Company since 27th May, 1999, being the date of its incorporation, and the resultant issued and paid-up share capital immediately after the Invitation are summarised as follows:

	<u>Number of Shares</u>	<u>Amount (US\$)</u>
Ordinary Shares		
Issue of 1,000,000,000 Shares pursuant to the share exchange agreement, details of which are set out under “Restructuring Exercise”	1,000,000,000	10,000,000
Pre-Invitation issued and fully paid-up share capital	1,000,000,000	10,000,000
New Shares to be issued pursuant to the Invitation	142,857,143	1,428,571
Post-Invitation issued and fully paid-up share capital	1,142,857,143	11,428,571

The pro forma shareholders’ funds of the Group as at 31st December, 1998 and after adjustments to reflect the payment of dividends of US\$20.0 million and US\$45.0 million on 22nd February, 1999 and 25th June, 1999, respectively, the Restructuring Exercise and the issue of the New Shares are set out below. These statements should be read in conjunction with, and are qualified in their entirety by, the Accountants’ Report set out elsewhere in this Prospectus.

	<u>31st December, 1998</u>	<u>As adjusted</u>
	(US\$’000)	(US\$’000)
Shareholders’ Funds		
Issued and fully paid-up Shares	10,000	11,429
Paid-in capital	9,990	84,425
Cumulative translation difference	(40,289)	(40,289)
Retained earnings	83,197	28,187
Total shareholders’ funds	62,898	83,752

OWNERSHIP STRUCTURE AND PRINCIPAL SHAREHOLDERS

Ownership Structure

Prior to the Invitation, the Company was directly owned by MCI, as to 50.0001 per cent. and Juliet, as to 49.9999 per cent. The shareholders of the Company and their equity interests after the Restructuring Exercise but prior to the Invitation are set out in the table below:

Name of Shareholder	Direct Interest		Indirect Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
MCI	500,001,000	50.0001	—	—	500,001,000	50.0001
Juliet	499,999,000	49.9999	—	—	499,999,000	49.9999
Macondray ⁽¹⁾	—	—	500,001,000	50.0001	500,001,000	50.0001
DMGL ⁽²⁾	—	—	499,999,000	49.9999	499,999,000	49.9999

After the completion of the Invitation, and assuming that the Over-Allotment Option is not exercised, the Company will be directly owned by MCI as to 37.5 per cent. and Juliet as to 37.5 per cent. The shareholders of the Company and their equity interests after the completion of the Invitation are set out in the table below:

Name of Shareholder	Direct Interest		Indirect Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
MCI	428,572,000	37.5	—	—	428,572,000	37.5
Juliet	428,570,000	37.5	—	—	428,570,000	37.5
Macondray ⁽¹⁾	—	—	428,572,000	37.5	428,572,000	37.5
DMGL ⁽²⁾	—	—	428,570,000	37.5	428,570,000	37.5
Public	285,715,143	25.0	—	—	285,715,143	25.0

Notes:

- (1) Macondray has an indirect interest in the 500,001,000 Shares held by its wholly-owned subsidiary, MCI. The Lorenzo Group has an indirect interest in the Shares held by MCI through Lapanday Holdings Corporation, St. Tropez Holdings Corporation, Macondray Holdings Corporation and Pioneer Ventures, Inc.
- (2) DMGL has an indirect interest in the 499,999,000 Shares held by Juliet. The holding company of DMGL is Del Monte Overseas Limited (“DelOverseas”). The holding company of DelOverseas is Del Monte Royal Foods. DelHold (through its subsidiary, DelCorp, which has an approximately 46.4 per cent. interest in Del Monte Royal Foods) has an indirect interest in the Shares held by Juliet. DelHold is jointly controlled by Cirio S.p.A. (a company incorporated in Italy and whose shares are listed on the Milan Stock Exchange) and the Imerman Consortium, pursuant to a voting pool agreement.

Principal Shareholders

Macondray Group

MCI, a holding company incorporated in the BVI, is a wholly-owned subsidiary of Macondray. The directors of MCI are Luis P. Lorenzo, Jr., Martin P. Lorenzo and Gabriel R. Singson, Jr.

Macondray is a company incorporated on 31st March, 1960 under the laws of the Philippines. Its predecessor was established in 1898 as the Manila office of a California-based trading company. Macondray was acquired by the family of the late Luis F. Lorenzo, Sr. in October 1991 and currently acts as the holding company of companies involved in consumer financing, trading, packaging and, through its indirect shareholding in the Company, the growing and/or processing of pineapples, mixed fruits, tropical juices, concentrates, tomato and other assorted products.

Del Monte Royal Foods is a holding company of a group of companies involved in the processing, marketing and distribution of Del Monte branded fruit products, beverages, dried mixed food products and confectionery.

The Del Monte Royal Foods group is a vertically integrated producer of canned pineapple and a producer of deciduous fruits, fruit beverages, tomatoes and speciality products. It has perpetual, exclusive, royalty-free licences covering the use of the Del Monte brand name on processed fruit and vegetables in most of Europe, Africa and the Middle East.

Juliet, a holding company incorporated in the BVI, is an indirect wholly-owned subsidiary of Del Monte Royal Foods. Juliet was incorporated on 17th March, 1992. Its directors are Leonard William Durham, Jacques Fragis, Anthony Grange and Christopher John Lowe.

Selling Shareholders and Disclosure of Interests

The following table sets out certain details of the sale by the Selling Shareholders of a portion of their respective interests in the Company pursuant to the Invitation:

<u>Selling Shareholder</u>	<u>Number of Shares Sold in the Invitation</u>	<u>Estimated Net Proceeds from Sale of Existing Shares</u> (US\$'000)	<u>Post-Invitation Ownership</u> (%)
MCI	71,429,000	42,936,807	37.5
Juliet	71,429,000	42,936,807	37.5

After the Invitation (and assuming the Over-Allotment Option is not exercised), the Selling Shareholders, who will sell down a portion of their interests in the Company as disclosed above, will continue collectively to own 75 per cent. of the outstanding issued Shares.

Moratorium

To demonstrate their commitment to the Group:

- (a) Macondray, which indirectly owns 428,572,000 Shares (representing 37.5 per cent. of the Shares after completion of the Invitation) has given an undertaking that, save for the sale of Existing Shares pursuant to the Invitation and save pursuant to any stock lending transactions entered into between MCI and the Global Coordinator in connection with over-allotment and stabilisation transactions effected by the Global Coordinator, it will not transfer or otherwise dispose of its interest in the Company, or any part thereof, for a period of six months from the date of admission of the Company to the Official List of the SES (the "Listing Date");
- (b) DMGL, which indirectly owns 428,570,000 Shares (representing 37.5 per cent. of the Shares after completion of the Invitation) has given an undertaking that, save for the sale of Existing Shares pursuant to the Invitation, it will not transfer or otherwise dispose of its interest in the Company, or any part thereof, for a period of six months from the Listing Date.

Relationship between Macondray Group and Del Monte Royal Foods

On 23rd July, 1999, MCI and Juliet entered into the Pooling Agreement to govern the manner in which they will exercise their rights as shareholders of the Company, *inter alia*, to appoint Directors and direct how they will vote at meetings of the Board, vote at shareholders' meetings and to agree to certain other matters in relation to their holding of Shares. The principal terms of the Pooling Agreement are described below.

Under the terms of the Pooling Agreement, which is conditional on the listing of the Company on the SES, the parties have agreed to establish a voting pool (the "Voting Pool") of Shares (the "Voting Pool Shares"), initially comprising 51 per cent. of the issued share capital of the Company. Juliet shall initially hold Shares representing 29 per cent. of the share capital of the Company in the Voting Pool. MCI shall initially hold Shares representing 22 per cent. of the share capital of the Company in the Voting Pool. Each of the parties will also be entitled to own Shares outside the Voting Pool.

In the event that (i) any of the Juliet pool members or the MCI pool members sell Shares such that the level of their respective shareholding of Shares in the Voting Pool falls to an aggregate level of Shares less than 40 per cent. of the total aggregate number of Shares in the Voting Pool or (ii) any third party or third parties acting in concert acquire(s) (a) a majority of the issued share capital of the Company or (b) Shares representing 15 per cent. more than the percentage of the Company's issued share capital represented by Voting Pool Shares or (c) control of the Company, then the Voting Pool may be terminated by notice by the party which did not trigger such events. In the event that the Pooling Agreement expires after 10 years without having been extended by either party for a successive 10-year period upon such expiry, then the Voting Pool shall cease.

Directors

Under the Pooling Agreement, the majority of the MCI pool members and the majority of the Juliet pool members will each be entitled to nominate four Directors to the Board, and will jointly nominate an additional three non-executive Directors. Although the Board will initially comprise 11 Directors, additional non-executive Directors may be appointed with the approval of the majority of each of the Juliet and MCI pool members. However, the number of non-executive Directors shall always be less than the total number of Directors appointed by Juliet and MCI.

Under the Pooling Agreement, the majority of the MCI pool members shall be entitled to appoint a majority of the directors of the board of DMPI, whereas the majority of the Juliet pool members will be entitled to appoint a majority of the directors of the boards of each of DMPRL and its subsidiaries (other than DMPI). In exercising their rights of nomination, Juliet and MCI shall be guided by the objective of appointing the most suitable person and avoiding any conflict of interest. As the principal operating company of the Group, DMPI is responsible for, among other things, formulating strategic plans from time to time, formulating the annual budgets and implementing the capital expenditure programme for DMPI. The management committee of DMPI will implement the agreed policies and decisions of DMPRL.

The overall policies of the DMPRL Group will be considered by the board of DMPRL, including in relation to the annual consolidated budget of the DMPRL Group, the establishment of general policies on material supply, purchase, distribution and other similar arrangements of the DMPRL Group and the determination of the accounting policies of the DMPRL Group.

Members of the Voting Pool

Under the terms of the Pooling Agreement, all decisions of the members of the Voting Pool will be decided by the parties unanimously and the Pooling Agreement sets out provisions for the members of the Voting Pool to communicate regularly and to discuss and agree how to vote on the resolutions to be tabled at shareholders' and Directors' meetings of the Company. If the Voting Pool members are unable to agree on how to vote on a resolution, the matter shall be referred to the respective chairmen of each of Juliet and MCI and, if they are unable to agree, the matter shall be referred to experts whose decision will bind the Voting Pool members.

Material Decisions

There are a number of matters relating to the business of the Group which require the approval of the Voting Pool members, and which include the following: sales of assets exceeding a value of US\$1 million in aggregate in any one year; the sale or assignment of any intangible assets (such as trademarks, patents or licences); the guaranteeing of any obligation of a third party; undertaking any new business ventures outside the Group's existing business activities; borrowing in excess of certain thresholds; the creation or issue of any shares or other securities; entering into, terminating or amending any contracts not provided for in the relevant budget or not in the ordinary course of business which have or could have a financial effect on the relevant company in excess of 10 per cent. of its net worth; entering into, terminating or amending any contracts with any shareholder of the Company or their associates, or subsidiaries of the Company, or any abnormal or long-term contract or any contract outside the ordinary course of business; employment of related parties; passing any special resolution; changing a Group company's auditors and/or bankers; changing a Group company's dividend policy; suspending or ceasing all or a material part of a Group company's business, the appointment or termination of any suppliers of goods or services and the appointment or termination of any purchasers or distributors of goods and services from any company in the Group, in excess of US\$100,000 in any one financial year.

Dividends

The Voting Pool members have agreed to a minimum dividend policy for the Company of not less than 33 per cent. of the Group's audited consolidated net profit available for distribution after tax subject to the Group's capital expenditure, working capital and debt servicing and/or repayment requirements from time to time.

Sale of Shares

The Pooling Agreement provides for pre-emption rights as between the Voting Pool members in respect of any proposed sale of Voting Pool Shares to third parties, which, if acquired by the third party, shall cease to comprise Voting Pool Shares. Intra-group share transfers are permissible, subject to the intra-group transferee agreeing to be bound by the Pooling Agreement and remaining a member of the respective group of Voting Pool members. On a proposed sale by a Voting Pool member, the other Voting Pool member may require the member selling its Shares to offer it "tag along" rights by including in such sale a pro rata proportion of the other Voting Pool member's Shares in substitution for an equivalent number of the selling member's Shares being sold.

In addition, on any change of control of a member of the Voting Pool (other than through an intra-group sale of shares), the other pool member shall be deemed to have been offered that Voting Pool member's Shares in the Voting Pool on terms prescribed in the Pooling Agreement.

If MCI and/or its associates cease to control the majority of the MCI Voting Pool Shares, or if Juliet and/or its associates cease to control the majority of the Juliet Voting Pool Shares, then their respective rights of management control and administration and their respective rights to approve a majority of the directors in respect of the relevant DMPRL Group companies shall cease.

Non-Competition Deed

On 23rd July, 1999, the Company entered into the Non-Competition Deed with each of Macondray and DMGL, a subsidiary of Del Monte Royal Foods and the immediate holding company of Juliet, pursuant to which (i) Macondray and DMGL have each agreed not to compete with the Group in certain countries in Asia (including Thailand) (the "Company Territory"); (ii) Macondray and DMGL have agreed not to solicit Directors or employees of the Company and its subsidiaries; (iii) Macondray and DMGL have agreed to offer the Company rights of first refusal over acquisition opportunities arising in respect of businesses which compete with the Group in the Company Territory; and (iv) the Company has agreed to offer DMGL rights of first refusal in respect of businesses which compete (other than by virtue of distribution activities only) with DMGL in Europe, the Middle East and Africa (the "DMG Territory"). In addition, Macondray and DMGL will each have the opportunity to match prices offered by third party suppliers of the Group which the Company would be required to consider in good faith. The terms of the Non-Competition Deed are described in further detail below.

Non-competition Arrangements

Each of Macondray and DMGL has agreed that for the period it is a direct or indirect 10 per cent. shareholder of the Company, and for a period of 18 months thereafter (the "Restraint Period"), it will not conduct any activity (either directly or through any company in its group) which competes with the Group in the Company Territory, in the business of growing (which includes owning plantations), manufacturing, selling and/or distributing food products which either (i) have been distributed and/or sold by the Group at any time during the three year period preceding the date of the Deed or (ii) constitute FMCG Products (as defined in the Non-Competition Deed), being generally products of the type or nature which the Company expects to be distributed and/or sold by the Group at any time in the future consistent with the description of the Group's strategy in the sections entitled "Use of Proceeds" and "Business of the Group — Corporate Objectives and Strategy" in this Prospectus (each a "Group Competing Activity"). There are excluded from the provisions of the Non-Competition Deed those activities carried on by Macondray and DMGL as at the date of the Deed and which are listed in a schedule to the Deed and, in the case of DMGL, where the DMI Supply Agreement has terminated, a further exclusion has been agreed.

Non-solicitation

Macondray and DMGL have agreed that for the duration of the Restraint Period they will not solicit members, Directors, officers or employees of the Company or any of its subsidiaries to become employed by competing businesses or to terminate their employment with the Group or to furnish any information or advice obtained as a result of their employment with the Group.

Acquisition Opportunities

Each of Macondray and DMGL has also agreed that for the duration of the Restraint Period, it will offer the Company rights of first refusal over acquisition opportunities in respect of businesses which comprise Group Competing Activities in the Company Territory, save that if the Company decides not to proceed with such acquisition opportunity, the party which offered that acquisition opportunity to the Company will then be entitled to pursue it without being in breach of the Non-Competition Deed. DMGL or Macondray (as applicable) shall not be in breach of such obligation if it acquires a controlling interest in a Group Competing Activity which is located outside the Company Territory and which conducts part of its business within the Company Territory if either (a) the Company gives its prior written consent to the acquisition of such Group Competing Activity; or (b) the DMI Supply Agreement has terminated and at least 80 per cent. of the value of the Group Competing Activity comprises business activities capable of providing DMGL with a similar volume of products that it would have received pursuant to the DMI Supply Agreement; or (c) the value (as determined by an independent appraiser) of the Group Competing Activity's business conducted within the Company Territory (the "Excluded Business") represents less than 20 per cent. of the value (as determined by an independent appraiser) of the equity interest in the Group Competing Activity so acquired, and DMGL takes one of the following actions (as directed by the Company) within 12 months of the date of completion of such acquisition:

- (i) sells the Excluded Business to the Company; or
- (ii) takes such other action in relation to the Excluded Business which results in the Company giving its written consent thereto; or
- (iii) sells the Excluded Business to an independent third party; or
- (iv) ceases to carry on the Excluded Business.

The Company has agreed that for the duration of the Restraint Period, it will offer DMGL rights of first refusal over acquisition opportunities in respect of businesses which compete with DMGL in the DMG Territory, in the business of growing (which includes owning plantations), manufacturing, selling and/or distributing food products which have been distributed and/or sold by DMGL at any time during the three year period preceding the date of the Non-Competition Deed (a "DMGL Competing Activity"), save that if DMGL decides not to proceed with such acquisition opportunity, the Company will be entitled to pursue it without being in breach of the Non-Competition Deed.

The Company shall not be in breach of such obligation if either:

- (a) it acquires a controlling interest in a DMGL Competing Activity which is located outside the DMG Territory and which conducts any business other than distribution activities within the DMG Territory if either (i) DMGL gives its prior written consent to the acquisition of such DMGL Competing Activity or (ii) the value (as determined by an independent appraiser) of the business comprising such DMGL Competing Activity conducted within the DMG Territory (the "Precluded Business") represents less than 20 per cent. of the value (as determined by an independent appraiser) of the equity interest in the DMGL Competing Activity so acquired, and the Company takes one of the following actions (as directed by Del Monte Royal Foods) within 12 months of the date of completion of such acquisition:
 - (i) sells the Precluded Business to DMGL; or
 - (ii) takes such other action in relation to the Precluded Business which results in DMGL giving its written consent thereto; or

(iii) sells the Precluded Business to an independent third party; or

(iv) ceases to carry on the Precluded Business;

or

(b) it acquires a controlling interest in a company or a business located outside the DMG Territory, a part of which comprises a DMGL Competing Activity in the DMG Territory by virtue only of its distributing products which compete with products distributed by DMGL in the DMG Territory, and subject to any pre-existing legally binding obligation to distribute the products comprised in such competing distribution activity through third parties, the Company shall:

(i) offer the rights to distribute such competing products on terms to be agreed with DMGL; or, failing agreement on the terms of such distribution arrangements,

(ii) the Company shall offer DMGL the right to match the terms and conditions of distribution or brokering in respect of up to 50 per cent. of the competing product distributed in the DMG Territory.

If DMGL requires the Company to implement either of the provisions of (b)(i) and (ii) above in respect of any pre-existing obligations on the Company to distribute such products through third parties, then DMGL may require the Company to terminate such distribution arrangements but shall indemnify the Company fully against any loss or costs arising from the required termination.

RESTRUCTURING EXERCISE

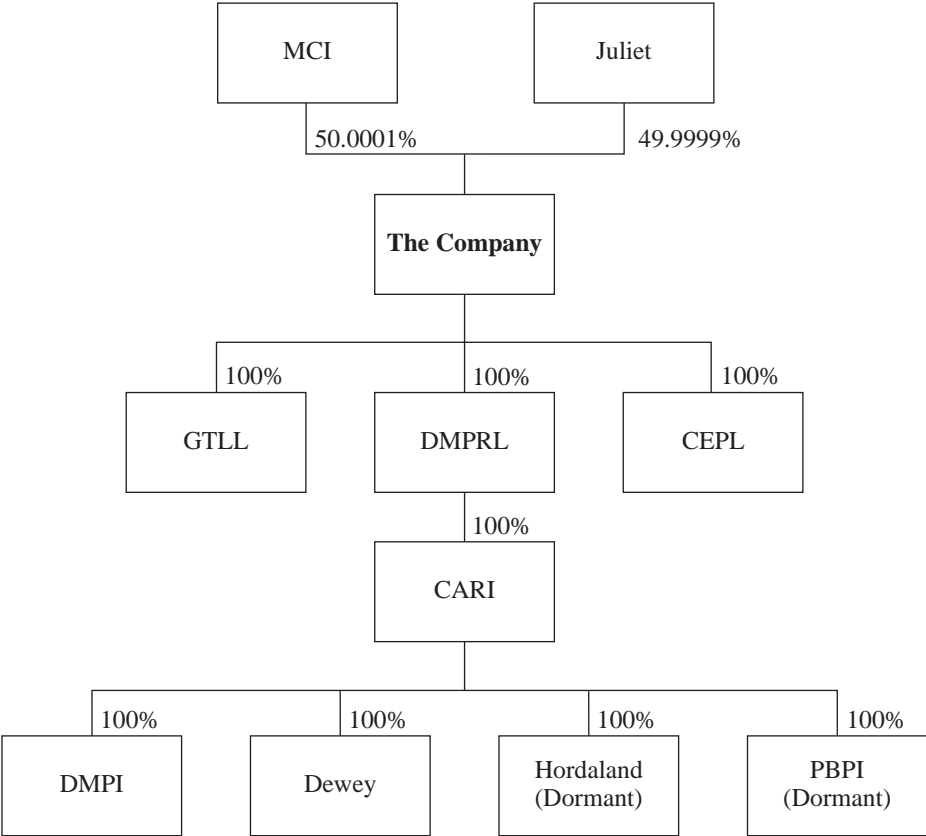
Restructuring Exercise

In connection with, and prior to, the Invitation, the following restructuring exercise was undertaken by the Group:

1. On 25th June, 1999, a dividend amounting to US\$45 million was paid by DMPRL in favour of its then existing shareholders, MCI, Juliet and DMGL.
2. On 9th July, 1999, the Company acquired GTLL, a shelf company incorporated in Labuan, Federal Territory of Malaysia, to become a wholly-owned subsidiary of the Company to handle the majority of the Group's trading activities with its international customers.
3. On 9th July, 1999, the Company acquired CEPL, a shelf company incorporated in Singapore, to become a wholly-owned subsidiary of the Company for the purposes of providing administrative support functions to the Group in Singapore.
4. On 2nd July, 1999, DMGL and Juliet entered into a transfer agreement, pursuant to which DMGL agreed to transfer its shareholding of 10,000 shares in DMPRL to Juliet.
5. On 9th July, 1999, the Company, MCI and Juliet entered into a share exchange agreement pursuant to which, *inter alia*, Juliet and MCI each agreed to transfer their respective shareholdings in DMPRL (together comprising the entire issued share capital of DMPRL) to the Company in consideration for the Company allotting and issuing 500,001,000 Shares to MCI and 499,999,000 Shares to Juliet.
6. On 9th July, 1999, DMGL and CARI entered into a deed of assignment, pursuant to which DMGL agreed to transfer its shareholding of 21 shares in DMPI to CARI at par value, whereupon DMPI became a wholly-owned subsidiary of CARI.

Organisational Structure

The following chart shows the corporate structure of the Group after the Restructuring Exercise and prior to the Invitation:



On 4th March, 1997, DMPRL entered into a joint venture agreement (the “Rasna Agreement”) with Rasna Enterprise Limited and a group of private individuals (the “Rasna Group”) for the establishment of a joint venture company in India, Del Monte India Pte Limited (“Del Monte India”). The Rasna Group is involved in the manufacture and distribution of flavourings and powdered beverages. The Rasna Agreement provides for Del Monte India to be owned as to 51.0 per cent. by DMPRL and as to 49.0 per cent. by the Rasna Group and for Del Monte India to be responsible for developing the Del Monte brand name in the Indian subcontinent. Although the conditions precedent to which the Rasna Agreement is subject have not been fulfilled, its provisions are under review and amendments to it are being explored with the Rasna Group.

BUSINESS OF THE GROUP

General

Del Monte Pacific Limited was incorporated in the BVI on 27th May, 1999 under the BVI Companies Act as a limited liability company and commenced business as a holding company of the other companies in the Group following the completion of the Restructuring Exercise on 9th July, 1999.

DMPI, an indirect wholly-owned subsidiary of the Company, is the leading Philippine integrated producer and branded marketer and distributor of premium quality processed food products under the Del Monte brand name. The Group has a focused business strategy to expand its operations organically and by acquisition in the Philippines and elsewhere in Asia. The Group (through Dewey) is the owner of the Del Monte trademarks for processed foods in the Philippines. Products sold by the Group under the Del Monte brand command consistent premium pricing over competing products. The Group's businesses are supported by an efficient low cost production base and secure sources of high quality supply.

In the year ended 31st December, 1998, approximately 54 per cent. of the consolidated net sales of the Group were derived from supply agreements for processed pineapple and other fruit products and fresh pineapple with six marketing and distribution entities in the United States, Europe, Asia (outside the Philippines) and Canada, five of which have the exclusive rights to the Del Monte trademarks in their respective territory or product category.

The Group sells its products in the Philippine market directly to major supermarkets and wholesalers as well as through two independent distributors, both of which have longstanding relationships (over 37 years) with DMPI. These distributors, together with their sub-distributors, service the Philippines' second-tier outlets targeted by the Group and 15 per cent. of the Philippines third-tier outlets. First-tier outlets comprise major supermarkets and wholesalers; second-tier outlets comprise smaller supermarkets, minor wholesalers, grocery stores and cash van sub-distributors and third-tier outlets include "sari-sari" variety stores and public markets.

The Group also imports and sells in the Philippines certain Del Monte branded products, which it does not itself produce, from licensees of the Del Monte brand name outside the Philippines. It also has contract manufacturing arrangements with a number of contract manufacturers ("toll packers") to produce non-pineapple Del Monte branded products for sale in the Philippines.

All of the Group's international trading operations are carried out by GTLL and CARI, both wholly-owned subsidiaries of the Company, which market and sell processed and fresh fruit products internationally.

DMPI has operated in the Philippines since 1926. The Group operates one of the world's largest pineapple plantations for processed pineapples, which is located in Mindanao, the Philippines. The Group's pineapple plantation covers approximately 17,500 hectares and, as at 30th April, 1999, employed 3,060 regular employees. The Group sources all of its pineapple requirements from this plantation. In 1998, DMPI produced approximately 455,000 tonnes (500,000 short tons) of processed pineapples.

The Directors believe that the Group's cannery is one of the world's largest pineapple processing and canning facilities. It is located in the coastal town of Bugo, Mindanao and occupies an area of approximately 22 hectares, some 32 kilometres from the Group's plantation. The cannery has an annual production capacity of approximately 573,000 tonnes (630,000 short tons). As at 30th April, 1999, the cannery employed 2,667 regular employees.

DMPRL, a wholly-owned subsidiary of the Company, also has the exclusive right in perpetuity to use, or to assign the right to use, the Del Monte trademark, free of royalty, in connection with the production, manufacture, sale and distribution of all food and beverage products in, amongst others, India, Pakistan, Bangladesh, Sri Lanka, Burma, Bhutan and Nepal and in the territories of Kashmir, Sikkim and the Maldives. The right was acquired from Forsythia Limited, a wholly-owned subsidiary of DMGL and the Del Monte brand name sub-licensee for the above countries and territories.

History

DMPI was incorporated on 11th January, 1926 under its former name, Philippine Packing Corporation, as a subsidiary of Del Monte USA (formerly California Packing Corporation). DMPI's present name was adopted in 1988.

DMPI began planting pineapples on a commercial scale in 1928 on 4,000 hectares of land in Bukidnon province, Mindanao. The cannery in Bugo commenced operation in June 1930 to process the first harvest from the plantation. DMPI's first products were sliced pineapples and pineapple juice which were primarily marketed in the United States. DMPI has enjoyed over 70 years of operations, which have been interrupted only by the Second World War.

The DMPRL Group was indirectly wholly-owned by Del Monte USA until January 1991 when Del Monte USA sold 15 per cent. of its interest to Kikkoman and 34.9 per cent. to Del Monte International, an indirect wholly-owned subsidiary of Del Monte Royal Foods. In March 1996, DMPRL repurchased the 50.1 per cent. and 15 per cent. interests of Del Monte USA and Kikkoman. As part of the restructuring of the shareholding ownership of the DMPRL Group in 1996, DMPRL allotted and issued shares to MCI, a wholly-owned subsidiary of Macondray, and DMGL and Juliet, indirect wholly-owned subsidiaries of Del Monte Royal Foods, such that DMGL and Juliet increased their aggregate interest in DMPRL to 49.9999 per cent. and MCI acquired an interest of 50.0001 per cent. in DMPRL.

Macondray is controlled by the Lorenzo Group and is involved in consumer financing, trading and packaging in the Philippines. Del Monte Royal Foods is involved in the processing, marketing and distribution of Del Monte branded fruit products, beverages, dried mixed food products and confectionery.

The change in control from a United States-based company to joint ownership by Del Monte Royal Foods headed by Mr. Vivian S. Imerman, the Vice-Chairman and Joint Managing Director of the Company, and the Lorenzo Group brought significant synergies and growth opportunities to the Group. Together, Del Monte Royal Foods and the Lorenzo Group have contributed to the continued development of the Group in the past three years and reinforced the on-going transition of the Group into a modern, professionally-managed operation.

The supply agreement between the Group and the Del Monte Royal Foods group has been in place since 1990. The management of both entities had in the past coordinated their efforts in developing European markets for the Group's products. Upon the acquisition of its interest in the Group, Del Monte Royal Foods was also able to introduce experienced and specialised management into the Group. Mr. James Elder, President of DMPI since 1998, previously held executive management positions in Del Monte Kenya, an indirect wholly-owned subsidiary of Del Monte Royal Foods. Del Monte Royal Foods also assigned Mr. Paul S. Danowa, a Director, to be Chief Executive Officer of DMPI between 1996 and 1997, President and Chief Executive Officer between 1997 and 1998 and, concurrently, President of DMPRL between 1996 and 1998. Mr. Danowa brought with him international finance, operations management and business development experience which was important to the Group's international business operations.

The Del Monte Royal Foods group's investment in the Group also provided opportunities for the Group's plantation and cannery operations to work with Del Monte Kenya on mutual exchanges of industry experience, international marketing trends, industry know-how and modern technologies. This investment has also allowed the Group to increase its market intelligence relating to the international markets for its products.

The acquisition of a significant interest in the Group by MCI was also an important event in the history of the Group as the operational control of DMPI was vested in Filipino hands. The Lorenzo Group, which controls MCI, was led by the late Luis F. Lorenzo, Sr., who joined DMPI in 1959 and retired in 1988 as Executive Vice-President, at that time the highest position held by a Filipino. The late Mr. Lorenzo acquired interests in banana plantations in Davao, the Philippines and was also involved in packaging, distribution, trading and other business activities through the Macondray Group. These diverse interests represent important business experience and local industry know-how which the Lorenzo Group has introduced to the Group. The late Mr. Lorenzo returned to DMPI as President from 1996 to 1997. In addition, in 1996, Mr. Marco P. Lorenzo, the son of the late Mr. Lorenzo was appointed a director for the plantation operations, and later Vice President. Mr. Marco P. Lorenzo had been a manager at the plantation

until he left in 1989 to manage the Lorenzo family's banana plantations in Davao. Mr. Luis P. Lorenzo, Jr. and Mr. Martin P. Lorenzo are the Vice-Chairman and Joint Managing Director of the Company, respectively.

The Del Monte Brand

The Del Monte brand has been in existence since 1892. The Directors believe that the Del Monte brand has almost universal unaided awareness in the Philippines. Del Monte brand products are found in substantially all national supermarkets, large wholesalers and independent and chain grocery stores throughout the Philippines. The Group's "We Grow Quality" theme is an integral part of the Del Monte brand identity and corporate ethos for both customers and employees.

The Group owns the Del Monte trademarks for use in connection with all processed foods in the Philippines. These trademarks are important to the Group because brand recognition is a key factor in the success of the Group's products. The current registrations of these trademarks in the Philippines are effective for varying periods of time and may be renewed periodically, provided that the relevant company within the Group which is the registered owner, or its licensees, comply with the applicable renewal requirements. The Group also owns the Today's trademark in the Philippines.

Del Monte USA is the owner and licensor of the Del Monte brand name and trademarks in most territories of the world. Del Monte USA has granted a number of perpetual, exclusive, royalty free licences for the use of the Del Monte name and trademarks in territories outside the United States. For example, Del Monte International has a licence to use the Del Monte name and trademarks for processed food products and beverages in most of Europe, Africa and the Middle East and Kikkoman has a licence to use the name and trademarks for processed food products and non-alcoholic beverages in the Far East and Pacific Rim (excluding the Philippines and the Indian subcontinent). Del Monte Fresh Produce is a subsidiary of the licensee of the Del Monte name and trademarks for fresh fruit, vegetables and produce worldwide. Licensees of the name and trademarks from Del Monte USA are required to observe product quality and brand protection measures designed to preserve the brand's premium image.

Corporate Objectives and Strategy

The key elements of the Group's business strategy are summarised below:

- **To lever the Group's existing branded marketing and distribution infrastructure in the Philippines** to introduce line extensions and new products which will broaden the sales base and penetrate new segments of the market, thereby increasing sales and profitability rather than cannibalising existing sales. DMPI has already successfully introduced pasta into its product range, an extension of DMPI's traditional product lines. It has also already introduced new packaging formats, such as low cost foil pouches and single serve juice cans, and new flavours for beverages in single serve and take-home sizes. Future initiatives may include the following:
 - The expansion of the existing tomato-based sauce business by further penetration into categories such as recipe sauces and other value-added sauces.
 - The introduction of a new form of low cost plastic packaging which will reduce the retail price of the Group's products to a level at which they will be able to penetrate a large section of lower income consumers, previously excluded from the Group's target market.
 - The introduction of other single serve/away-from-home packaging formats, designed to move the Group's products "from the pantry to the refrigerator" and towards convenience impulse consumption.
- **To grow the Group's existing core business and continue to promote the Del Monte brand in the Philippines and internationally as a first priority and to invest ahead of the competition to accelerate its development.** In the Philippines, the Group will aggressively grow its food services business. A separate food service marketing and sales group has been formed to focus on developing the Del Monte branded business in the growing segment of fast

food chains and catering companies and customised products are being developed for this sector in the Philippines. The Group believes that there is substantial opportunity for growth in the future and for further penetration of the Del Monte brand in the Philippine market. The following table sets out certain statistics demonstrating the consumption of Del Monte branded products in the top 20 per cent. of homes in the Philippines in 1988 and 1998:

	<u>1988</u>	<u>1998</u>
Population ('000)	58,720	75,160
No. of homes ('000)	11,240	14,151
Top 20% of homes ('000)	2,248	2,830
Units/home/year		
Pineapple Juice (46 oz. cans)	6.3	6.8
Juice Drinks (46 oz. cans)	0.3	1.4
Pineapple Solids (29 oz. cans)	3.5	4.9
Mixed Fruits (29 oz. cans)	1.3	6.3
Sauces (13 oz. cans)	4.5	20.5
Ketchups (12 oz. bottles)	3.0	3.6
Beans (8 oz. cans)	1.1	1.3
Vinegar (pint bottles)	0.9	1.1

Source: National Statistics Office, ACNielsen Retail Index and internal data from the Company

The Group will also enhance and extend its relationships with key international customers, with a view to encouraging them to increase their focus on pineapple within the context of their larger businesses. This will involve, for example, working with the international customers on the development of new formats of packaging and line extensions for their respective markets, together with helping them to develop relationships with concentrate brokers, blenders and end-users.

- **To lever the Group’s Del Monte and other brand names in the Philippines, together with its other core strengths in marketing and distribution, to increase sales and market shares of its existing products.** The Group will continue its consumer marketing programmes, focusing on the highly successful “Del Monte Kitchenomics” and on the differentiation through core value advertising of Del Monte products as being of premium quality. The health benefits of phytochemicals in general and lycopene in particular, being intrinsic nutrients naturally occurring in fruits and vegetables which have been proven to help reduce the risks of some cancers and heart attacks, will continue to be a key part of DMPI’s marketing strategy.
- **To invest in production, processing and packaging technologies which support high quality brand growth both in the Philippines and internationally.** The Group will continue to generate further efficiencies and cost savings in production, processing, marketing and distribution through capital investments and, where necessary, the refinement and revision of its management and operating practices to achieve these. The imperative remains to enhance the Group’s competitiveness through continuing low cost production and security of supply.
- **To continue to improve customer service and the efficiency with which it is delivered.** DMPI has, over the last two years, transformed its Philippine distribution system from a third party distributor operation into a system wherein the key accounts are serviced by DMPI’s own sales and distribution force. This new system is supported by 15 warehouses managed by a DMPI supply chain group, which has recently been equipped with the new SAP software system with the ability to respond to real-time inventory and service information. It is the Group’s intention to lower the supply chain inventory from its current level of between 14 and 16 weeks.

- **To pursue synergistic acquisitions.** The Group intends to explore synergistic acquisitions when there are attractive opportunities to lever its existing key strengths in the marketing, sales and distribution of branded products, and in branded processed food production. These opportunities might include:
 - Further brand rights in Asia, both in and outside the Philippines, which would be complementary to the Group's existing business.
 - Pineapple plantations and/or processing companies in Asia.
 - Non-pineapple food companies, with a focus on tomato, corn and other fruit, vegetables and fast moving consumer goods, in Asia.

The Company continuously reviews acquisition opportunities and at any time may be engaged in discussions with respect to an acquisition that may be material with respect to its operations. As at the date of this Prospectus, no agreement, arrangement or understanding has been reached with respect to any such acquisition.

Products

Processed and Fresh Products

The Group grows, processes and packages, through its own cannery, pineapples and a wide variety of pineapple and related products under the Del Monte brand name. It also contracts with toll packers for the manufacture of processed food products under the Del Monte brand name. In addition, fresh pineapples are supplied to Del Monte Fresh Produce.

These products and their respective net sales (also expressed as a percentage of net sales) for the three years ended 31st December, 1998 and the four months ended 30th April, 1999 are set out below:

Product	Year ended 31st December,						Unaudited Four Months ended	
	1996		1997		1998		30th April, 1999	
	(US\$'000)	(%)	(US\$'000)	(%)	(US\$'000)	(%)	(US\$'000)	(%)
Processed products								
Pineapple solids	72,189	35.4	79,404	37.5	67,972	36.6	22,254	39.3
Beverages ⁽¹⁾	30,436	15.0	30,848	14.6	23,349	12.6	5,090	9.0
Pineapple concentrate	15,293	7.5	16,396	7.8	18,874	10.2	6,721	11.9
Mixed fruits	30,596	15.0	25,638	12.1	25,714	13.8	6,446	11.4
Tomato-based products ⁽²⁾	28,440	14.0	30,783	14.6	26,704	14.4	6,076	10.7
Others ⁽³⁾	4,626	2.3	6,762	3.2	3,507	1.9	894	1.6
Fresh pineapples	9,303	4.6	7,788	3.7	6,092	3.3	2,007	3.6
Cattle	12,641	6.2	13,844	6.5	13,376	7.2	7,081	12.5
Total	<u>203,524</u>	<u>100.0</u>	<u>211,463</u>	<u>100.0</u>	<u>185,588</u>	<u>100.0</u>	<u>56,569</u>	<u>100.0</u>

Notes:

- (1) Includes pineapple and non-pineapple juices, such as mango, orange and tomato; and pineapple-based mixed drinks, including pineapple/orange, pineapple/grapefruit, pineapple/guava and pineapple/lychee.
- (2) Includes tomato and banana ketchups.
- (3) Includes corned beef, vinegar and bean-based products (for example, pork and beans, hotdog and beans, and beef and beans). The Group also imports certain vegetable products, which it does not itself produce, from independent suppliers for sale in the Philippine market.

The following table sets out the Group's international and Philippine net sales by product category for the three years ended 31st December, 1998 and the four months ended 30th April, 1999:

Product	International				Philippines			
	Year ended 31st December,			Unaudited Four Months ended 30th April,	Year ended 31st December,			Unaudited Four Months ended 30th April,
	1996	1997	1998	1999	1996	1997	1998	1999
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
Processed Products								
Pineapple solids.	58,458	65,173	58,330	19,743	13,731	14,231	9,642	2,511
Beverages ⁽¹⁾	3,201	2,627	1,856	797	27,235	28,221	21,493	4,293
Pineapple concentrate.	15,293	16,396	18,874	6,721	—	—	—	—
Mixed fruits	21,830	15,391	14,249	3,707	8,766	10,247	11,465	2,739
Tomato-based products ⁽²⁾	—	—	—	—	28,440	30,783	26,704	6,076
Others ⁽³⁾	—	5,028	152	—	4,626	1,734	3,355	894
Fresh pineapples	9,303	7,788	6,092	2,007	—	—	—	—
Cattle	—	—	—	—	12,641	13,844	13,376	7,081
Total	<u>108,085</u>	<u>112,403</u>	<u>99,553</u>	<u>32,975</u>	<u>95,439</u>	<u>99,060</u>	<u>86,035</u>	<u>23,594</u>

Notes:

- (1) Includes pineapple and non-pineapple juices, such as mango, orange and tomato; and pineapple-based mixed drinks, including pineapple/orange, pineapple/grapefruit, pineapple/guava and pineapple/lychee.
- (2) Includes tomato and banana ketchups.
- (3) Includes corned beef, vinegar and bean-based products (for example, pork and beans, hotdog and beans, and beef and beans). The Group also imports certain vegetable products, which it does not itself produce, from independent suppliers for sale in the Philippine market.

Cattle

The Group maintains a livestock operation on the plantation area to maximise the use of residue pulp from pineapple processing as feed for cattle. Such pulp would otherwise need to be disposed of. Currently, there are on average some 9,000 head of cattle at any time being fed in feeding pens on the Group's premises prior to sale to the Manila fresh meat market.

Cattle are imported by the Group from Australia with deliveries taking place approximately every two weeks. DMPI achieves average cattle weight increases of more than one kilogramme per head per day. The Directors believe that the consistent and continuous supply of pineapple residue pulp as cattle feed has led to a consistency in the quality of the cattle, while the ready availability of a large portion of the feed required for cattle fattening purposes makes the operation economically viable.

The Group receives orders for the cattle from a number of buyers, who purchase on an order-by-order basis. On receipt of an order, the requisite number of cattle are selected and shown to the buyer. Once accepted, the cattle are weighed, transported by truck to Cagayan Pier, Mindanao, and shipped to Manila where they are collected by the buyer.

The following table sets out the size by weight and turnover of the Group's cattle operations for the three years ended 31st December, 1998:

	Year ended 31st December,		
	1996	1997	1998
Volume ('000 kg)	6,883	8,618	10,834
Net sales (US\$'000)	12,641	13,844	13,376

Philippine Market

Position

DMPI's Del Monte branded products are Philippine brand leaders in most of the product lines in which it operates. Del Monte products generally command a price premium compared to their competitors. The following table sets out the respective Philippine market shares of selected DMPI products for the three years ended 30th November, 1998 and the four months ended 31st March, 1999:

Product	Market Share Data			
	Year ended 30th November,			Four Months ended 31st March,
	1996	1997	1998	1999
	(%)	(%)	(%)	(%)
Pineapple juice	88.3	87.9	88.8	88.8
Tomato sauce	74.5	75.0	78.6	78.9
Pineapple solids	78.7	73.2	74.7	82.2
Mixed fruits	63.0	60.1	61.6	71.9
Juice drinks	40.1	38.7	41.9	43.9
Tomato ketchup ⁽¹⁾	93.9	94.6	88.5	84.3
Spaghetti sauce	40.4	41.0	50.5	51.8

Source: AC Nielsen Retail Index

Note:

- (1) Tomato category only, which accounts for approximately 9 per cent. of the total ketchup categories, including banana ketchup.

Sales and Distribution

DMPI has an extensive distribution network in the Philippines, covering a substantial portion of the Philippines' first-tier outlets and the second-tier outlets targeted by the Group (comprising major supermarkets, major wholesalers and other supermarkets, wholesalers and groceries) and approximately 15 per cent. of third-tier outlets. DMPI has a network of 15 strategically located warehouses around the Philippines.

The map below illustrates the location of the Group’s warehouses, pineapple plantation, cannery and offices:



- Notes:**
- ★ Manila office and four warehouses in Metro Manila
 - ⊠ Bugo office, cannery and warehouse
 - Plantation
 - Warehouse

On 1st March, 1997, DMPI restructured its distribution system, with the objective of improving the quality and flexibility of service delivery to its customers while reducing distribution costs. As a result of the restructuring, DMPI reduced the number of its distributors from six to two and introduced its own dedicated sales force of 28 staff to service directly DMPI’s key accounts. The restructuring resulted in the reduction of DMPI’s distribution expenses for the Philippine market by approximately 5 percentage points to approximately 9 per cent. of sales. DMPI’s key accounts, numbering some 190 customers in total, together accounted for approximately 61 per cent. of total Philippine market net sales for the year ended 31st December, 1998. The two distributors, Marina Sales Inc. (“Marina”) and Valiant Distribution Inc. (“Valiant”), handled the balance of 39 per cent. of total Philippine market net sales in that year. DMPI has had a relationship with Marina for 45 years and with Valiant for 37 years.

Marina and Valiant are separated as to their responsibilities in geographic terms. Broadly, Marina’s activities are at present restricted to the main Luzon island (except the Greater Manila Area), and Valiant’s to the Visayas and Mindanao island groups and the Greater Manila Area. DMPI has entered into three-year contracts with each of them which will expire in March 2000. DMPI intends to review the distribution contracts at that time in order to ensure continuing competitiveness in terms of service and pricing. DMPI’s business represents a significant proportion of each of its distributors’ operations.

As part of the distribution process, DMPI has also contracted two forwarders which are responsible for the delivery of products to key account customers from the 15 warehouses leased by DMPI in strategic locations around the country. Sales are recognised by DMPI when the products are delivered to the trade customers, whether directly from DMPI or indirectly through distributors.

Virtually all of the Philippines' first-tier outlets, consisting of 328 major supermarkets, 56 major wholesalers and 98 major food service outlets, are serviced by DMPI directly. Marina and Valiant service practically all of the Philippines' second-tier outlets targeted by the Group, consisting of approximately 463 supermarkets, 259 wholesalers, 1,299 groceries, 101 other grocery outlets and 1,010 food service outlets. Marina and Valiant also maintain 44 sub-distributors which in turn service approximately 20,500 third-tier "sari-sari" variety stores and public markets and 3,900 third-tier food service outlets.

In order to develop the Group's food service business, a separate food service marketing and sales group has been formed to focus on developing the Del Monte business in this growing segment. The Group's food service customers currently account for approximately 10 per cent. of its Philippine market net sales. Customised products are being developed for the major fast food chains in the country.

By dealing with a small number of distributors and using direct sales to service only key accounts, DMPI has avoided the administrative burden of dealing with a large number of retailers. Administration costs are kept to a minimum and the distributors act not only as buffers against the problems of dealing with many customers spread over a large geographic area but also serve to minimise credit risk.

Pricing

DMPI is the recognised price leader in the Philippines for the majority of its products. Its products are typically priced in the premium price range and serve as benchmarks for the competition. These premia reflect the high quality that is associated with the Del Monte name. Prices for DMPI's products (except for ketchup) are generally priced at 1 per cent. to 5 per cent. premia over its competitors' prices. The premium on tomato ketchup is 40 per cent., given that competition in this segment is from low price products.

International Markets

Sales and Distribution

Approximately 54 per cent. of the Group's net sales were generated from supply agreements with marketing and distribution entities in the major international markets in the year ended 31st December, 1998. The bulk of the Group's international sales of processed foods and fresh pineapple are shipped to North America, Europe and certain countries in Asia (excluding the Philippines). The contribution of various international markets to the Group's total net sales for the three years ended 31st December, 1998 is shown below:

Market	Year ended 31st December,					
	1996		1997		1998	
	(US\$'000)	(%)	(US\$'000)	(%)	(US\$'000)	(%)
Processed foods						
North America	53,704	49.7	55,409	49.3	46,577	46.8
Europe	16,749	15.5	21,600	19.2	26,217	26.3
Asia (excluding the Philippines).	28,329	26.2	27,606	24.6	20,667	20.8
	98,782	91.4	104,615	93.1	93,461	93.9
Fresh pineapple.	9,303	8.6	7,788	6.9	6,092	6.1
Total	<u>108,085</u>	<u>100.0</u>	<u>112,403</u>	<u>100.0</u>	<u>99,553</u>	<u>100.0</u>

Supply Contracts

The Group has entered into supply contracts with six marketing and distribution entities, five of which have the exclusive rights to the Del Monte trademarks in their respective territory or product category. The Group has such agreements in respect of processed foods with Del Monte USA in the United States, Del Monte International in most of Europe, Africa and the Middle East, Kikkoman in the Far East and Pacific Rim (excluding the Philippines and the Indian subcontinent), Nabisco in Canada and Del Monte Fresh Produce in respect of sales of fresh pineapple worldwide. The Group also has a supply agreement with Sundor in respect of sales of pineapple concentrate in the United States.

The following table sets out the Group's sales under its supply contracts by net sales and expressed as a percentage of total international sales for the three years ended 31st December, 1998:

Customer	Year ended 31st December,					
	1996		1997		1998	
	(US\$'000)	(%)	(US\$'000)	(%)	(US\$'000)	(%)
Del Monte USA	42,864	39.7	45,075	40.1	40,253	40.4
Del Monte International	16,749	15.5	21,600	19.2	26,217	26.3
Kikkoman	28,329	26.2	27,606	24.6	20,667	20.8
Nabisco	4,679	4.3	4,254	3.8	3,734	3.8
Del Monte Fresh Produce	9,303	8.6	7,788	6.9	6,092	6.1
Sundor	6,161	5.7	6,080	5.4	2,590	2.6
Total	<u>108,085</u>	<u>100.0</u>	<u>112,403</u>	<u>100.0</u>	<u>99,553</u>	<u>100.0</u>

Del Monte USA — Pursuant to a supply agreement with Del Monte USA dated 1st March, 1990, the Group supplies canned pineapple, pineapple concentrate and mixed tropical fruits for distribution in the United States, Mexico and the Caribbean. Pricing is market driven (less certain allowances), but subject to a price floor mechanism which covers product costs for processed food products supplied. If the Group has excess relevant products which it wishes to sell in the relevant territories, it must first offer the products to Del Monte USA at prices to be mutually agreed between the parties. The agreement is terminable by either party giving the other three years' prior written notice after 29th March, 2001. In addition, after 29th March, 2001, the quantities that Del Monte USA is required to source from the Group decreases by 10 per cent. each year, which quantities may be sourced from alternative suppliers provided that the Group has the first right to supply such quantities to Del Monte USA on terms that are no less favourable to Del Monte USA than those provided by bona fide third party suppliers of Del Monte USA. To the extent that Del Monte USA sources from alternative suppliers, the Group can sell equivalent volumes of non-Del Monte branded products into the USA, provided that Del Monte USA acts as distributor for such non-branded goods. The terms and conditions of such sales shall be agreed upon based on prevailing prices for comparable private label products.

The Group has a right of first offer in the event that Del Monte USA wishes to sell all or a substantial portion of its pineapple business (other than as part of a bona fide wider transaction involving the sale of Del Monte USA or substantial assets of Del Monte USA) at a cash price of 105 per cent. of the purchase price proposed to be paid by any third party purchaser and otherwise on financial terms no less favourable to Del Monte USA than those proposed by the purchaser.

Del Monte International — Pursuant to a supply agreement with Del Monte International dated 1st March, 1990, the Group supplies canned pineapple, pineapple concentrate, juices and mixed tropical fruits for distribution in most of Europe, Africa and certain Middle Eastern countries. Pricing is market driven (less certain allowances) with prices for certain incremental volumes subject to a price floor mechanism intended to cover product costs. If the Group has excess relevant products which it wishes to sell in the relevant territories, it must first offer them to Del Monte International at prices to be mutually agreed between the parties. If the parties cannot agree on terms of supply for such products, Del Monte International will act as the Group's broker for such sale. The Group may not solicit, procure or accept orders from purchasers (other than Del Monte International) for supply of the relevant products in such territories. The agreement is terminable by either party giving the other three years' prior written notice at any time after 29th March, 2006. Del Monte International has agreed to grant an option in favour of the Group exercisable on or before 31st July, 2001, to extend the existing supply agreement for up to three years from 29th March, 2009, being the earliest date on which it may be terminated by either party. See "Risk Factors — Relationship with and between Principal Shareholders — Conflicts of Interest" for further details on a second addendum to this supply agreement.

Kikkoman — Pursuant to a supply agreement with Kikkoman, dated 1st July, 1992, the Group supplies canned pineapple, pineapple concentrate, pineapple juice, mixed tropical fruits and juice drinks for distribution in Singapore, Hong Kong, Korea, Japan and certain other Asian and Pacific Rim countries and territories. Pricing is market driven (less certain agreed discounts). The Group makes an annual contribution to advertising and marketing programmes in the relevant countries and territories. The Group is required to offer surplus products that are to be sold in the relevant territories to Kikkoman, but if no agreement is reached as to appropriate terms, the Group can offer the products directly to third parties on terms that are no more favourable to the third party than those offered to Kikkoman. The agreement is terminable at any time by either party giving the other three years' prior written notice.

Nabisco — Pursuant to a supply agreement with Nabisco dated 1st January, 1995, the Group supplies canned pineapple, pineapple concentrate and pineapple juice to Nabisco for distribution in Canada. The agreement is terminable at any time by either party giving to the other 18 months' prior written notice. The Group has recently issued a notice of termination to Nabisco with a view to negotiating with Nabisco to restructure the terms, including suitable pricing arrangements, of the supply arrangement in the future.

Del Monte Fresh Produce — Pursuant to a supply agreement with Del Monte Fresh Produce dated 1st July, 1994, the Group supplies to Del Monte Fresh Produce certain quantities of fresh pineapples. Prices are market driven taking into account cost considerations. Del Monte Fresh Produce has a right of first refusal over any quantities of fresh pineapples in excess of the amounts which the Group is obliged to deliver under the supply agreement. If terms for supply of the excess fresh pineapples are not agreed, the Group may not sell the pineapples to third parties on the same terms as, or on terms that are more favourable than, those offered to Del Monte Fresh Produce. The agreement is due to expire on 31st December, 2004, and Del Monte Fresh Produce has the option to renew for up to three successive five-year periods.

Sundor — Pursuant to a supply agreement dated 16th December, 1998, the Group supplies pineapple concentrate to Sundor. The agreement will expire on 31st December, 2000. The Group is bound by a "meet or release" obligation whereby the Group must match third party prices for products of the same quantity and quality, or Sundor will be able to source the products from a third party. Sundor has recently notified the Group that it wishes to assign its interest to a third party purchaser of parts of its business.

Marketing and Promotion

The Group is committed to the development of the Del Monte brand. Over the last three years, the Group has spent an average of US\$7.2 million per annum, representing an average of 9.0 per cent. of Philippine net sales, on advertising and promotional expenses. The Group regularly uses Philippine television, print and radio advertisements, highlighting the quality and healthy nature of Del Monte's products.

In addition to traditional television, radio and print advertising, the Group has a recipe programme called "Del Monte Kitchenomics" which has a direct mail component aimed at prime consumers who have voluntarily enrolled in the Del Monte Kitchenomics Club (the "Club"). Enrolment with the Club is free of charge and the members are given free recipe brochures regularly and are updated on the latest new products of the Group. The most recent development is the introduction of a system that allows members to receive recipes by e-mail by being part of an e-mail distribution list. The Group also conducts a 10-minute cooking show for the Del Monte Kitchenomics' programme weekly on national television.

In addition to housewives, the Group has targeted teenagers and young adults (with, for example, "202 juice drinks" for out-of-home beverage consumption) and young children (with, for example, Sweet Blend Ketchup and Sweet Style Spaghetti Sauce specifically formulated to appeal to children).

The Group's pineapple products and tomato sauce sales volume and market share have grown in the past five years against the background of its continued efforts to educate consumers about the health benefits of using its products through its core value advertising campaigns highlighting phytochemicals (for pineapple products) and lycopene (for tomato-based products) — substances naturally found in fruits and vegetables that have been proven to help reduce the risk of some cancers and heart attacks. The Group also introduced the first Del Monte pasta products in the Philippine market in 1997. As a result of the Group's advertising and marketing efforts, and the complimentary nature of pasta to tomato sauce products, the Group's pasta products have captured more than 6 per cent. of the highly competitive Philippine pasta market since their introduction.

The Group engages the services of two advertising agencies, namely McCann Erickson (for tomato-based products and Kitchenomics) and Campaigns & Grey (for beverages, pineapples and pasta).

At the trade level, the Group rents approximately 500 exclusive display spaces in the top supermarkets nationwide. These display spaces significantly improve the in-store presence of Del Monte products, help to stimulate impulse purchases and serve as dispensing units for recipe brochures for consumers.

The Group regularly utilises market research tools to measure its market share position in all the major categories in which it competes. It also periodically conducts "Usage, Attitude and Image" studies to measure consumer perception and needs. It utilises various market research agencies (including AC Nielsen) to conduct special research as the need arises.

The Group regularly discusses with its international customers opportunities to develop the Del Monte brand and sales of the Group's products in their respective markets. Opportunities for line extensions, marketing trends and concepts, new packaging formats and other promotional initiatives are explored in close consultation between the Group and its customers.

Competition

In the Philippine market, the Group's primary competition comprises Dole Philippines, Inc. on pineapple products (juices, pineapple solids and mixed fruit), Hunt Universal Robina Corp. (a joint venture of Hunt Wesson of the United States and Universal Robina Corporation) on tomato and spaghetti sauces and California Manufacturing Corporation (a Corn Products Company) on spaghetti sauce and pasta. Other fruit beverage competitors include powdered juice manufacturers Kraft General Foods Philippines (using the "Tang" brand) and Sugarland Corporation (using the "8 o'clock" brand). For ketchup, the Group's main competitor is Universal Foods Corp. (a local company marketing UFC Banana Catsup and Tomato Catsup).

The following table sets out the Philippine market share data in various product categories for the year from December 1997 to November 1998:

	Year ended 30th November, 1998 <i>(%)</i>
Pineapple Solids	
Del Monte.	74.7
Dole.	15.0
Seasons	7.7
Others	2.6
Total	<u>100.0</u>
Mixed Fruits	
Del Monte (DMPI).	61.6
Imported Del Monte.	23.0
Dole.	5.4
Others	10.0
Total	<u>100.0</u>
Ready-to-Drink Canned Juices⁽¹⁾	
Del Monte.	74.6
Dole.	14.8
Cenmaco (Gina).	3.6
Seasons	1.6
Others	5.4
Total	<u>100.0</u>
Tomato-based Sauces⁽²⁾	
Del Monte.	70.8
Hunt's	14.7
Ram.	2.5
Others	12.0
Total	<u>100.0</u>
Ketchup (all categories)	
UFC.	56.0
Papa.	26.2
Del Monte.	8.3
Others	9.5
Total	<u>100.0</u>

Source: AC Nielsen Retail Index

Notes:

- (1) Including pineapple juice and juice drinks
- (2) Including spaghetti sauce

The Group's main potential competitors in the international markets for processed pineapple sales are from Thailand and Indonesia. Management believes that the exports of these countries are not comparable with those of the Group in terms of quality due mainly to the extensive experience of its work force, the favourable soil and climatic conditions in the plantation and the superior horticultural practices of the Group.

Given the exclusive territorial nature of the Group's supply contracts, the Group's international markets competition is only of significance to the extent that, where allowed, it seeks to supply non-Del Monte licensees with processed pineapple products. In certain markets, such as the United States, the pineapple market is already highly concentrated, limiting the number of potential opportunities to secure significant new customers.

Competitive Strengths

The Directors believe that the Group has the following competitive strengths:

- *Del Monte is a leading international brand and a premium brand in the Philippines* — The Del Monte brand has been in existence since 1892. The Directors believe that it has almost universal unaided brand awareness in the Philippines, making it one of the most recognised brands of processed food products in the Philippines. In each of the three years ended 31st December, 1996, 1997 and 1998, the Group spent an average of approximately US\$7.2 million in advertising and promotional expenses in support of the Del Monte brand in the Philippines. The Del Monte brand is a worldwide brand, supported by a number of significant marketing and distribution entities in various territories around the world. Del Monte USA and Del Monte Royal Foods, for example, are amongst the leading distributors of branded canned pineapple products in their respective markets. Del Monte branded products in the Philippines have leading market share positions in many of the product categories served by the Group. The Group's products typically achieve premium pricing against their competitors, supported by the quality of the products and the projection of that quality to the consumer.
- *Secure and low cost production base* — All of the Group's requirements for pineapples are provided by its own plantation and its own processing and canning facility in the Philippines, providing security of supply. A continuing programme of investment in production and processing technology, and the management's focus on improved agricultural practices and production efficiencies and reduction of costs in the three years ended 31st December, 1998 have led to a significant improvement in the unit cost, quality and reliability of supply. The Group's economies of scale, combined with its focus on efficiency, have allowed it to remain a low cost but high quality producer in support of the Del Monte brand.
- *Application of modern technologies in growing, processing, packaging and marketing* — The Group ensures that it applies modern technologies to all aspects of its operations, from growing and harvesting, through production and packaging, to marketing, advertising and promotion. The Group has invested approximately US\$19.6 million in capital expenditure in the three years ended 31st December, 1998, and will continue to invest in new technologies as required to develop the Del Monte brand ahead of its competition. Current initiatives include new packaging technology and further investments in the production process to generate further unit cost efficiency.
- *Market leader in branded products in the Philippines* — As a result of the success of the management in the development of the Del Monte brand in the Philippines, the Group's branded pineapple and many of its non-pineapple products enjoy leading market positions. Its existing brand and distribution strengths provide the Group with a strong platform for the further consolidation and development of its position as a branded fast moving consumer goods company. The Group's extensive and efficient distribution network in the Philippines allows it to compete effectively with other national brands and regional and international competitors.

- *Secure international market relationships* — The Group's key international customer supply arrangements are long-term in nature, providing security of sales. The Group's international sales of approximately US\$99.6 million represented approximately 54 per cent. of its consolidated net sales in the year ended 31st December, 1998. The Group's key international customers also enjoy the use of the Del Monte trademarks in their respective distribution and marketing operations, helping to strengthen their own market positions and consequent needs of supply by the Group. The Group works proactively with its key international customers to help develop the market for the Group's products in their respective markets.
- *Strong partnership between shareholders and management for further development* — The combination of strengths of the two significant shareholding groups, one bringing with it substantial experience of local Philippine industry, market and operational conditions, the other broad experience of international branded fast moving consumer goods marketing, management expertise and an international perspective of the Del Monte brand, together with a competent team of professional Executive Officers, creates a complementary partnership. The Directors believe that this partnership is well equipped to lead the Group forward into its next stage of development as a listed company.
- *Strong cash flow* — The further development of the Group, both by investment in the organic development of its existing core business and by its development and expansion by synergistic acquisition, will be facilitated by the strong cash flow of the Group's businesses. In the three years ended 31st December, 1998, the Group generated operating cash flow of US\$39.0 million, US\$31.2 million and US\$37.0 million, respectively, more than half of each of which was denominated in US dollars.
- *Professional and experienced management team* — The Executive Officers of the Group have a combined experience of approximately 190 years in the fast moving consumer goods industry and processed food production and marketing, most of it with businesses around the world which market Del Monte branded products. The team's combination of skills, experience and innovation in the core areas of brand marketing and distribution, agriculture, processing and production has helped to turn the Group into the leading Philippine integrated producer and branded marketer and distributor of premium quality processed food products under the Del Monte brand name.

The professional, dynamic and proactive approach of management can be demonstrated by the steps that have been taken in a number of key areas since 1996:

- The Group's distribution system in the Philippines has been extensively restructured and a dedicated supply chain function has been installed. This has resulted in significant savings in distribution costs and increased levels of service quality and flexibility in response to customer requirements.
- New line extensions and new forms of packaging have been, and will continue to be, introduced to ensure that the Del Monte brand is fully supported and developed ahead of the competition.
- The agricultural techniques of the Group have been extensively revised and commercialised, helping to deliver higher yields, higher quality and consistency of product and greater predictability, flexibility and reliability of supply.
- The production process has been significantly improved through investment in new equipment and practices, delivering greater throughput and cost savings and improvements in unit costs.
- A new integrated real time information system, providing a solution to many of the key aspects of the Group's activities, has been successfully introduced, thereby also providing the Group with operational readiness and protection in the face of the upcoming Y2K issue.

Operations

Administrative Offices

The Group's Philippine market management and some corporate support functions are located at its offices in Makati City, Manila. As at 30th April, 1999, these offices were staffed by 176 employees. Most other functions, including purchasing and finance, are carried out at the Bugo office, in northern Mindanao.

Processing Facility

The Group operates what the Directors believe to be one of the world's largest pineapple processing and canning facilities. DMPI's cannery occupies approximately 22 hectares of land, of which approximately 16 hectares are owned by DMPI. As at 30th April, 1999, the cannery employed 2,737 regular employees representing a reduction of 15.4 per cent. from 3,234 as at 31st December, 1996 as a result of the Group's streamlining of its operations. The cannery has a current capacity to process approximately 573,000 tonnes (630,000 short tons) of pineapples per annum, representing more than half of the total processed pineapple output of the Philippines. The cannery processed approximately 455,000 tonnes (500,000 short tons) of pineapple during the year ended 31st December, 1998. The cannery is currently operating at a throughput of 101 tonnes per hour (110 short tons per hour).

The following table sets out the key operating statistics of the cannery for the three years ended 31st December, 1998 and the four months ended 30th April, 1999:

	Year ended 31st December,			Four Months ended
	1996	1997	1998	30th April, 1999
Total pineapple processed (short tons)	517,456	540,493	500,028	165,944
Total product packed (million statistical cases)	18.27	19.68	18.01	6.43
Pineapple solids	8.24	9.49	7.82	2.65
Beverages	3.09	2.53	2.05	0.53
Concentrates	3.12	3.39	4.07	1.39
Mixed fruits	2.32	2.55	2.68	1.53
Tomato	1.50	1.72	1.39	0.33

Volumes processed reduced in 1998 compared to 1997 as a result of the reduced harvest volumes of pineapples following the drought brought on by the El Niño phenomenon in late 1997 and early 1998.

Since the introduction of new shareholders and a new management team in 1996, DMPI has been able to achieve significant cost savings at the cannery through a number of measures. These have included:

- the reduction in the steel base weight and thickness of the tin coating of the tin plate used for cans;
- the reduction in tin plate freight costs in absolute terms as a result of the reduced base weight of tin plate used, together with the negotiation of reduced freight costs per unit;
- reduction in can damage through stronger can design;
- the use of a greater number of tin plate suppliers to ensure competitive raw material pricing;
- the construction of a waste water treatment plant;
- the use of larger, more efficient 20 ton trucks for haulage of pineapples from the plantation to the cannery;

- the introduction of tray shrink packaging and other efficiencies in packaging practices such as plastic labels; and
- the reduction in the workforce by approximately 15.4 per cent. since 1996.

These cost reduction measures are on-going processes and the Group expects to achieve further cost improvements in these areas, especially through continuing to reduce the base weight content of the tin plate used for manufacturing cans and the thickness of the tin coating applied to such tin plate (which accounts for a major part of the cost of goods sold).

In addition to cost efficiencies, productivity and throughput have also increased since 1996. Such increase has been due to a number of factors, including the investment in tin plate handling and can manufacturing equipment, additional process capacity installation and additional equipment to maximise extraction rates.

In the three years ended 31st December, 1998, a total of approximately US\$4.1 million has been invested over and above normal maintenance capital expenditure in the implementation of the above cost savings and efficiency measures, which have helped to reduce annual production costs per unit.

The cannery has storage capacity of eight weeks' supply of tin plates, two weeks' supply of tin cans and four weeks' supply of finished goods. The cannery also has its own twin deep-water dock by which it is able to accept direct shipments of raw materials and cattle and to export fresh fruit and canned products.

The cannery processes all of the plantation's pineapple that is not sold fresh (approximately 6 per cent. of total tonnage was sold fresh in 1998). In addition to pineapple, the cannery purchases tomato paste, papaya, nata de coco, mango and bananas from third party sources for the production of a variety of juices and canned products, most of which are sold by the Group under the Del Monte brand name.

The Group maintains guidelines for quality control over the output of its plantation and cannery. This strict adherence to product excellence is emphasised by the Group's management to all employees through regular training and by utilising modern equipment and processing techniques in the food industry. The Group conforms to worldwide food standards such as the United States' Department of Agriculture Standards for Pineapple, those set by the British Fruit and Vegetable Canners' Association, the Japan Food Additives Association and the Philippine Standards of Identity and certification standards for Kosher foods. The Group believes that it employs an effective quality assurance and quality management system through the use of a comprehensive Hazard Analysis and Critical Control Points programme, which allows the identification of all inputs at all stages of production of any particular batch of product. Pineapple products are checked and tested rigorously for blemishes and defects, syrup concentrations and other factors affecting quality.

The Group also sends samples to professional laboratories in the United States, Germany, the United Kingdom and the Philippines for testing for pesticide residue, authenticity and other analyses.

The Group's major international customers visit the cannery on one or more occasions each year to inspect for quality. The Bureau of Food and Drugs ("BFAD") of the Philippines also conducts annual as well as ad hoc inspections of the cannery and the Group's warehouses to ensure compliance with good manufacturing practices and sanitation regulations.

Throughout the production stages, the Group complies with stringent hygiene and safety guidelines so as to minimise accidents in the workplace. The Group maintains an occupational safety and health and hygiene programme and a programme for industrial hazard and fire control.

Production Process

The cannery operates a four-line can manufacturing plant, evaporators for concentrate production, 18 canning lines, aseptic packaging lines, normal and cold storage facilities, and deep-water docking facilities for cargo ships which bring in raw materials and cattle and take out finished goods and fresh pineapples.

Upon arrival from the plantation, pineapples are unloaded from trucks by water into a flume, washed and then graded and transported by conveyor belt to a de-skinning and de-coring machine (known as the “ginaca”). They are then sliced and packed into tins, and syrup or pineapple juice is added. The cans are then sealed and cooked, then labelled and packed into cartons and transferred to the warehouse.

Non-whole slices are used for making chunks, wedges, spears or tidbits, depending on size. The pineapple core and the meat from the pineapple skin are used to make premium juice and the ends of the pineapple are used for standard juice. The skin is pressed to produce juice and sugar syrup, both used as packing media for the canned pineapple solids. The residue pulp is fed to the Del Monte livestock.

The cannery produces its own tin-coated steel cans on modern can making lines. Cans are beaded for extra strength and to allow for the use of lighter gauge steel. This has allowed the Group to save raw material costs and container costs. DMPI has also employed technology which allows it further to reduce the base weight and the consequent tin-coating of the tin plate used in the production of cans. This has led to additional substantial cost savings. Labelling, which is also performed at the cannery, takes place once orders are recorded and the relevant market has been determined. The cannery packs in 14 can sizes, with some 600 different labels, determined by product type, can size and target market.

Once the cans are labelled and packed, they are moved to the adjacent deep water dock, which hosts two separate piers for unloading and loading vessels. The dock is able to accommodate ships up to a draught of 15 to 18 metres and enables the business not only to service its customers more frequently, but also to maintain a lower cost structure by minimising transportation costs to and from the main local port of Cagayan de Oro, near Bugo.

Approximately 90 per cent. of the Group’s products are manufactured in-house, including pineapple solids, tropical mixed fruits, canned tomatoes and juices and concentrates. Toll packers are used to manufacture the remainder of the Group’s processed products.

Raw Materials

The cannery receives an average of approximately 1,800 tonnes of fresh pineapple from the plantation daily. The delivery of the pineapples to the cannery is sub-contracted to a number of independent third parties. For the production of its mixed fruit products, apart from producing its own pineapples, the Group also purchases an average of approximately 75 tonnes of papaya and 10 tonnes of nata de coco daily from various small growers in northern Mindanao. Cherries are imported from Italy and Australia. For its tomato products, the Group takes delivery of between approximately 7,000 tonnes and 8,000 tonnes of tomato paste per annum, principally from suppliers in the United States.

The Group sources tin plate from suppliers in Japan, Korea and the United States for the manufacture of its tin cans. Tin plate is delivered to the cannery once a week and approximately 6.2 million eight-ounce to 108 ounce cans are produced by the Group each week.

The cannery uses water sourced entirely from its own wells. Energy needs are supplied by the national grid, although the cannery also has its own stand-by diesel generators. Sugar is purchased from a number of overseas suppliers, including sugar imported by MAIC, a related party, as well as being a by-product of the pineapple canning process. The Group sources approximately 10 million labels per week locally from three different suppliers.

Toll Packing

DMPI also sources certain products sold in the Philippine market from toll packers (being contract manufacturers). Typically, the Group will subcontract to toll packers where the packaging medium or food product would be less efficiently handled at the Group’s cannery. Such products include tomato sauce and other sauces in Tetra Pak and stand-up food pouches (“SUP”), ketchup in glass and plastic bottles, particulate beverages in cans, pasta in plastic wrappers and bottled water. In the year ended 31st December, 1998, non-pineapple and non-canned products were sourced from seven toll packers which accounted for 21 per cent. of the Group’s Philippine market total net sales for such period.

Arrangements with toll packers may involve the toll packer or DMPI sourcing all of the raw materials for the product, or for each party to contribute certain raw materials towards the product, as appropriate. DMPI ensures that stringent quality control measures are established and maintained. Each toll packer (including its production capabilities and manufacturing processes) is qualified by DMPI’s Technical Services Group. A quality assurance mechanism which checks samples from production runs is also in place. Each toll packer is regularly visited and all production parameters closely monitored.

All toll packing arrangements are covered by a contract manufacturing agreement which has an open term but also has a mutual 90-day notice of termination clause. Price reviews are usually conducted annually.

Plantation

The Group operates one of the world’s largest pineapple plantations for processed pineapples, which covers approximately 17,500 hectares of leased land in northern Mindanao about 32 kilometres from the Group’s cannery and port site in Bugo. The Group sources all of its pineapple raw materials from the plantation and, in 1998, it produced approximately 455,000 tonnes (500,000 short tons) of processed pineapples. See “Risk Factors” and “General Information — Material Contracts” for further details relating to the leasing arrangements in respect of the plantation. About 15,300 hectares, or approximately 87 per cent. of the total plantation, are utilised for growing pineapples. A portion of the remainder is used for the Group’s cattle operations.

As at 30th April, 1999, the plantation employed 3,060 regular employees. DMPI provides rent-free housing to approximately 60 per cent. of these employees and their families in five residential communities within the plantation. Each of the residential communities has its own school, church, social hall, sports facilities and shops. The largest of these communities also houses the offices and machinery workshops for the plantation and has a hospital, fire brigade and three schools (two of which are privately run). Employees and their families live in the residential communities so long as they are employed by DMPI. Upon leaving employment, they are required to move out of the residential communities (although many employee families have second and third generation employees). DMPI operates a programme which prepares employees for re-integration into different social communities.

The Del Monte Foundation (the “Foundation”), a non-stock and non-profit organisation operating in Bukidnon, engages in certain charitable and philanthropic activities that benefit the plantation community as a whole. The Foundation, although not part of the Group, receives some donations from the Group from time to time to support its educational and skills development programme.

The following table sets out a breakdown of the utilisation of the land at the plantation as at 31st December, 1998:

Utilisation	Approximate Area (hectares)	% of Total
Arable	15,348.7	87.1
Livestock non-arable	1,730.7	9.8
Roads and ditches	242.3	1.4
Infrastructure	302.7	1.7
Total	17,624.4	100.0

The following table sets out the plantation’s harvest volumes and approximate yield statistics for the following periods:

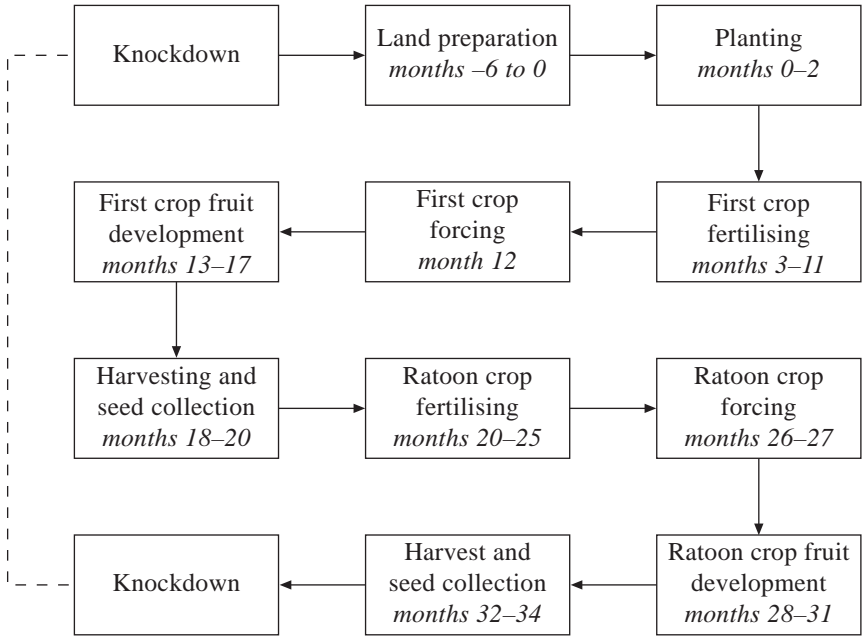
	Year ended	Six Months	Year ended 30th June,					Year ended 31st December,			Unaudited
	31st	ended 30th	1992	1993	1994	1995	1996	1997	1998	Four	
	December,	June,								Months	
	1990	1991								ended	
										30th April,	
										1999	
Total harvest (tonnes)	497,989	223,248	608,854	543,776	533,023	551,806	513,465	527,557	484,041	159,442	
Total harvest (short tons)	549,051	246,139	671,283	599,532	587,677	608,386	566,114	581,650	533,672	175,791	
Yield ^(Note) (tonnes per hectare)	175	167	175	164	166	168	156	171	153	188	
Yield ^(Note) (short tons per acre)	78	74	78	73	74	75	70	76	68	84	

Note: Yield is arrived at by using the industry standard calculation and represents the result of the simple summation of (i) the average yield of the first crop fields harvested in a given period plus (ii) the average yield of the ratoon crop fields harvested during the same period, in each case without taking into account the fields being prepared, in fallow or not harvested in the same period. (See “Cultivation” below for further details regarding first crop and ratoon crop.)

Certain of the above periods have different ending dates due to changes of the financial year end of the Group. After the change in control in the Group in 1996 from a United States based entity to joint ownership by Del Monte Royal Foods and the Lorenzo Group, which brought significant synergies to the Group, plantation yield increased from 70 short tons per acre in 1996 to 76 short tons per acre in 1997. The drop in yield experienced in 1998 was due to the severe drought brought on by the El Niño phenomenon. However, plantation yield began to recover in the second half of 1998, as the effect of the El Niño phenomenon started to recede during that period, and reached 84 short tons per acre as at 30th April, 1999. In a normal year, the rainy season in northern Mindanao starts in June and ends in December. Pineapple plants planted during that period usually bear larger fruits and, due to the plant cycle of pineapple (as illustrated in the section headed “Cultivation” below), they are usually harvested in the first half of the year. Plantation yield is therefore generally higher in the first six months of the year.

Cultivation

The following diagram illustrates the pineapple cultivation process:



Knockdown	The process by which the residue from the previous plant cycle is mechanically cut and ploughed into the soil to clear the land for the next plant cycle.
Land preparation	The land is prepared for the next plant cycle by ploughing and harrowing. DMPI ensures that this process achieves sufficient depth to allow for adequate soil drainage. Ditches are also made in the land to support the soil structure and drainage.
Planting	Seeds (in the form of treated crowns from the previous crop cycle) are then planted. DMPI ensures optimal plant growth by stipulating plant population per acre.
First crop fertilising	DMPI employs manual fertilising in the early growth stages (to ensure that the fertiliser reaches the root zone) and folier fertilising using boomsprayers customised for the plantation once the plants are more mature.
First crop forcing	The process induces the development of the fruit by using a solution of china clay and ethylene gas to stress the plant.
First crop fruit development	The plant develops a pineapple fruit.
Harvest and seed collection	DMPI deploys two teams of harvesters: one team picks pineapples of the requisite quality to be sold fresh where the crown is left intact. A few days later, a second team harvests the remaining pineapples for delivery to the cannery. The crowns of pineapples are removed and collected for seed use.
Ratoon crop fertilising	Following harvesting of the first crop, a ratoon crop develops from the plant and will eventually develop a second pineapple. The fertilisation process for the ratoon crop is the same as that described above.
Ratoon crop forcing	As described above.
Ratoon crop fruit development	The ratoon develops a pineapple fruit.
Harvest and seed collection	As described above.
Knockdown	The plants on the land are then cut in preparation for the next plant cycle.

The pineapple plants are harvested twice (one fruit per plant per harvest) during a three-year growth cycle. DMPI is able to harvest pineapples continuously and hence provide a consistent and predictable supply of pineapple raw materials to the cannery. The arable land at the plantation is at any one time either under preparation, growing the first crop or growing the ratoon crop, in roughly equal proportions, subject to variations at the discretion of management. This ensures that the effects of any adverse events during a seasonal cycle are mitigated since the annual pineapple harvest as a whole is not exposed to concentration at any particular time of year. This also makes it easier to ensure that plant seeds (from the crowns of recently harvested plants) are utilised for planting purposes on a timely basis before they grow old and their productivity is affected.

Pineapple plants are hardy and resistant to disease. Careful use of fertiliser and pesticides ensures healthy growth. Drought will result in the slowing down of the plant's life cycle and hence delay harvesting of drought-affected plants, but will not kill the plants in the short term. The effect of drought can be reduced through ensuring that ploughing and harrowing establish a well drained root zone up to a depth of 36 inches, allowing roots to reach deeper for available moisture. This also helps to guard against root waterlogging from heavy rains.

Land Tenure

Under the Philippine Constitution, private land may be transferred or conveyed only to citizens of the Philippines and corporations and associations at least 60 per cent. of whose shares are owned by citizens of the Philippines, aliens (but only in cases of hereditary succession) and, subject to certain limitations, natural

born citizens of the Philippines who have lost their Philippine citizenship. As a result, the Group is not permitted to own private land, but instead leases land from a number of landowners. The Group leases a total of approximately 17,500 hectares of land for its pineapple growing operations. In 1986, the Philippine Government instituted a Comprehensive Agrarian Reform Law requiring agricultural land in excess of a minimum size to be distributed to the tiller. Pursuant to this law, the ownership of some 8,000 hectares of land leased by the Group from the National Development Corporation (the "NDC"), a Philippine government-owned and -controlled corporation, was transferred to the Del Monte Employees' Cooperative, which was composed of all cannery and plantation personnel below managerial level, and was leased back to the Group.

In January 1997, the Group concluded negotiations with the Del Monte Employees' Cooperative for the renewal of the lease covering approximately 8,000 hectares for a term of 25 years effective from 11th January, 1999. This may be further renewed by agreement of the parties.

Approximately 8,500 hectares of agricultural land are leased from over 1,700 private landowners. Such leases typically provide for an initial 10-year period renewable at the Group's option on a cycle-to-cycle basis, up to five cycles, with each cycle averaging 40 months. Lease agreements for some 2,300 hectares of such privately leased land have been negotiated since 1997 to provide for additional lease terms of 20 years.

In addition, the Group has under lease approximately 1,000 hectares from the NDC. This lease was amended on 14th October, 1997 to provide for its automatic renewal for a covenanted lease term of 25 years upon expiry on 1st March, 2007.

Approximately 16 hectares out of the total area of approximately 22 hectares at the cannery in Bugo, Cagayan de Oro City is freehold land owned by the Group and was acquired by the Group on 30th March, 1931. The constitutional restriction on foreign ownership only took effect in 1935 and has no effect on such land owned by the Group.

Environmental Compliance

The production facilities operated by the Group are subject to the regulations of the Philippine Department of Environment and Natural Resources (the "DENR").

The waste water treatment plant at the cannery commenced operation in September 1996 and treats the industrial water from the manufacturing process at the cannery. The treated water is released into the sea and the residual sludge is disposed of as landfill in processes which are monitored by the DENR.

The Group's operations have been awarded for its recognition of, and success in dealing with, environmental issues. Recent awards include the "Don Emilio Abello Outstanding Award in Energy Efficiency" (1998) by the Department of Energy and the Don Emilio Foundation, the "Outstanding Healthy Workplace Award" (1998) by the Department of Health and the "One of the Country's Four Outstanding Environmental Success Stories for 1999" (1999) by the Pollution Control Association of the Philippines, Inc.

Insurance

DelHold maintains group insurance coverage in which, for reasons of cost efficiency, the Group participates in relation to its own risks for, among other risks, fire, earthquake and lightning, with respect to its plant, machinery and equipment, buildings, raw materials, work in progress, finished goods and goods in transit. The insurance is renewed annually. In addition, DMPI's operations are insured with respect to business interruptions of whatever cause and nature. The risks that are covered by the policies described above are insured in a manner acceptable to the relevant member of the Group, both in terms of the insured risks and the amount insured. The principal insurers for DMPI are Federal Assurance Company, Inc., Seaboard-Eastern Insurance Company and UCPB General Insurance Corporation. The Group bears a pro rata proportion of the insurance costs incurred by Del Monte Royal Foods based on turnover, value of assets and geographical location. Various deductions apply to the programme.

Research and Development

The Group maintains a research and development facility at its cannery in Bugo which works on the development of new products and line extensions for the Philippine market and formulations for international requirements. It also maintains a test kitchen in Manila which undertakes recipe development for its Kitchenomics programme and coordinates with third parties to conduct central location consumer testing.

The test kitchen and the Bugo research and development facility work closely together. Since the test kitchen is tasked to conceive consumer usage applications for existing Del Monte products, some ideas are given to Bugo research and development engineers for new product prototyping. New products developed by the research and development facility that have been introduced in the last five years for the Philippine market include beverages (all mixed drinks, sweetened juice drinks and particulate juices), sauces (sweet style spaghetti sauce, recipe sauce and pizza sauce) and ketchups (sweet blend ketchup). Del Monte pasta was also introduced by the Group as a complement to its tomato sauce products. Since its introduction in 1997, the Group has captured more than 6 per cent. of the highly competitive pasta market in the Philippines.

Information System

The Group's information system has recently been reviewed in detail and a substantial overhaul of the existing system has now been completed. Following a thorough evaluation of proposals from a number of software providers, the Group chose Real Time Version 3 from SAP Philippines ("SAP"). This system enables the Group to access real time accurate information relating to all of its office locations, plantation and production facilities and warehouses together with forwarders and distributors. The SAP solution is designed to cover many areas of the Group's business, including producing an inventory of production materials and performing accounting-related functions. The introduction of this new system has also enabled the Group to provide solutions for some of the problems that have become evident during the Group's Y2K compliance audit.

Year 2000 Compliance

The Year 2000 ("Y2K") millennium bug issue arose due to some computer systems that operate on a two-digit year element and are unable to make the proper transition from 1999 to 2000 and thereafter. This issue also affects many of the Group's traditional information technology applications. In addition, the Group's customers and suppliers are subject to the same risks and, if they are so affected, such event could, in turn, adversely affect the Group. The Group is aware of the seriousness of the Y2K issue and has taken steps to ensure that the equipment and computer systems critical to the proper functioning of its business operations will continue to function without interruption prior to, through and beyond 1st January, 2000.

The Group has established a programme designed to ensure that the impact of the transition to the Y2K on the Group is minimised by seeking to ensure that its key networks and systems, where these are not being assumed under the SAP system which itself is Y2K compliant, are Y2K compliant before 31st December, 1999. In addition, the Group has, over a number of years, made significant investments in both the hardware and software which comprise its information technology systems, including the SAP software system (See "Risk Factors — Systems and Year 2000").

The Y2K compliance exercise was completed by 5th April, 1999 and the Group is confident in its Y2K-compliant SAP system, together with its Y2K-audited payroll and other stand-alone systems.

Intellectual Property

Trademarks

The Group (through Dewey) owns the trademarks in the Philippines which are registered under the following Philippine trademark registration numbers:

Country	Trademark	Registration Number
Philippines	Del Monte	17952
Philippines	Del Monte Label in Colour	17980
Philippines	Del Monte Lite	38521
Philippines	Today's	51525

The Group has the right to use the following trademarks in the respective territories set out below:

Country	Trademark	Registration Number	Class(es)
India	Del Monte	166003	29
India	Del Monte	195238	30
India	Del Monte	195239	32
India	Del Monte Label In Colour	234783	29
Myanmar	Del Monte	3676	29, 30, 32
Myanmar	Del Monte Quality and Shield	3677	29, 30, 32
Myanmar	Del Monte Label In Colour	3675	29, 30, 32
Nepal	Del Monte	10921/052, 10922/052, 10923/052	29, 30, 32
Nepal	Del Monte Label In Colour	10927/052, 10928/052, 10929/052	29, 30, 32
Nepal	Del Monte Quality and Shield In Colour	10924/052, 10925/052, 10926/052	29, 30, 32
Pakistan	Del Monte	25688	30
Pakistan	Del Monte	25689	32
Pakistan	Del Monte	55123	29
Pakistan	Del Monte Shield In Colour	9361	29
Pakistan	Del Monte Label In Colour	45042	29
Sri Lanka	Del Monte	17137	32
Sri Lanka	Del Monte	33459	5
Sri Lanka	Del Monte Label In Colour	28069	5
Sri Lanka	Del Monte Label In Colour	28068	32
Sri Lanka	Del Monte Quality and Shield In Colour	66714	29
Sri Lanka	Del Monte Quality and Shield In Colour	66712	30
Sri Lanka	Del Monte Quality and Shield In Colour	66713	32

The Group has the right to use the following trademarks, for which applications for registration are being made, which are set out in the table below:

Country	Trademark	Application Number	Class
Bangladesh	Del Monte	37351	29
Bangladesh	Del Monte	37354	30
Bangladesh	Del Monte	37357	32
Bangladesh	Del Monte Label In Colour	37353	29
Bangladesh	Del Monte Label In Colour	37356	30
Bangladesh	Del Monte Label In Colour	37359	32
Bangladesh	Del Monte Quality and Shield In Colour	37352	29
Bangladesh	Del Monte Quality and Shield In Colour	37355	30
Bangladesh	Del Monte Quality and Shield In Colour	37358	32
India	Del Monte Label In Colour	593061	30

India	Del Monte Label In Colour	593060	32
India	Del Monte Label Quality and Shield In Colour	593062	29
India	Del Monte Label	593058	30
India	Del Monte Label	593059	32
Pakistan	Del Monte Label In Colour	118977	30
Pakistan	Del Monte Label In Colour	118978	32
Pakistan	Del Monte Label Quality and Shield In Colour	119034	30
Pakistan	Del Monte Label Quality and Shield In Colour	119035	32

Royalties

In consideration of the licence granted by Dewey for the use of its Del Monte trademarks and secondary marks for processed food in the Philippines, Dewey is entitled to receive royalty income from its licensee as follows: in the case of sales by the licensee itself of products sold under or which display the licensed trademarks, a royalty fee equivalent to 5 per cent. of the licensee's net invoice price thereof; and in the case of income derived by its licensee as a result of or arising from the exploitation of the trademarks other than from the sale by it of the licensed products, a royalty based on such income is payable. DMPI is the ultimate licensee of the Del Monte trademarks and secondary marks for processed food in the Philippines for which it pays a royalty fee equivalent to 5 per cent. of its net sales for technical assistance and rights in trademarks granted.

The consideration payable by DMPRL as licensee of the trademarks for use in certain countries in the Indian subcontinent, as listed above, is US\$10 million. DMPRL has made an initial payment of US\$1 million, and the balance is payable in annual instalments calculated by reference to its relevant net profits, being the aggregate of all income in money or money's worth earned directly or indirectly in the relevant period by the DMPRL Group and permitted sub-licensees and assignees. Certain costs, expenses, interest costs, taxes and depreciation allowance are deductible from such annual instalments calculations. The balance is, in any event, payable by 30th November, 2006.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Basis of Presentation

The following discussion has been prepared by management and should be read in conjunction with (i) the unaudited pro forma consolidated financial information of the Group for the four months ended and as at 30th April, 1998 and 1999 prepared in accordance with IAS and (ii) the pro forma consolidated financial information of the Group included in the Accountants' Report for the years ended and as at 31st December, 1996, 1997 and 1998 prepared in accordance with IAS, as well as the financial information contained under "Selected Pro Forma Consolidated Financial Data", included elsewhere in this Prospectus.

Summary of Pro Forma Operating Results

The following table sets out the summary of the Company's pro forma consolidated statements of income for the three years ended December, 1998 and the four months ended 30th April, 1998 and 1999 on a pro forma basis:

	Years ended 31st December,			Unaudited Four Months ended 30th April,	
	1996	1997	1998	1998	1999
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
Turnover	203,524	211,463	185,588	49,774	56,569
Cost of goods sold	(161,706)	(146,222)	(118,781)	(32,188)	(38,373)
Gross profit	41,818	65,241	66,807	17,586	18,196
Advertising, promotional, selling, administrative and other expenses	(15,534)	(25,298)	(19,917)	(6,886)	(6,171)
Operating profit	26,284	39,943	46,890	10,700	12,025
Net interest income/(expense)	(5,573)	(7,944)	(6,674)	(2,574)	(1,222)
Profit before tax	20,711	31,999	40,216	8,126	10,803
Taxation	(1,534)	(3,590)	(4,962)	(472)	(680)
Net profit	19,177	28,409	35,254	7,654	10,123
Earnings before interest expense (net), taxation, depreciation and amortisation (EBITDA) ⁽¹⁾	29,330	43,341	49,960	11,710	13,916

Note:

- (1) EBITDA is calculated after taking into account retrenchment costs in the sum of US\$1.9 million, US\$5.7 million and US\$1.3 million for the years ended 31st December, 1996, 1997 and 1998, respectively.

	Years ended 31st December,			Unaudited Four Months ended 30th April,	
	1996	1997	1998	1998	1999
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	20.5	30.9	36.0	35.3	32.2
Pre-tax profit margin	10.2	15.1	21.7	16.3	19.1
Net profit margin	9.4	13.4	19.0	15.4	17.9

Currency exchange rates effects on the Group

Fluctuations in the exchange rate between the US dollar and the Peso have an effect on the Group's profit and loss account and balance sheet items. Approximately 46 per cent. of the Group's turnover between 1996 and 1998, namely those sales made in the Philippine market, were recorded in Pesos, together

with approximately 61 per cent. of the Group's cost of goods sold and marketing and other expenses, and the Group's Peso-denominated borrowings and the cost of such borrowings. During the period under review, the Peso experienced a significant devaluation against the US dollar, with the result that such Peso-denominated items were reduced when converted into US dollar terms, the reporting currency of the Group. The average exchange rate between the US dollar and the Peso in each of the years ended 31st December, 1996, 1997 and 1998 and the four months ended 30th April, 1999 was US\$1 : ₱26.29, US\$1 : ₱29.50, US\$1 : ₱40.52 and US\$1 : ₱38.80, respectively.

The effect of the Peso devaluation on the Group's US dollar reported results varied during the period, but, in general, it tended to reduce the apparent growth in sales in the Philippine market, while increasing the Group's profit margin, given that a greater proportion of its costs than its net sales are Peso-denominated. For the sake of convenience, this general effect is referred to below as the "Conversion Factor".

1997 Compared to 1996

Turnover

Turnover increased by 3.9 per cent. from US\$203.5 million to US\$211.5 million due to a number of factors. The Group's restructuring of its Philippine distribution arrangements in March 1997 led to an increase in net sales as distribution margin for Philippine sales was cut by approximately 33 per cent.; international sales were higher by 4.0 per cent. or US\$4.3 million on the back of higher demand from the North American and European markets; local sales were higher in Peso terms, led by increased overall volumes following the introduction of new tomato sauce and mixed fruit product lines and by higher Peso pricing; and, as the owner of the Del Monte trademarks in the Philippines, the Group began to source certain corn and deciduous fruit products from Del Monte USA and Del Monte International in 1997 for an amount less than 3.0 per cent. of the Group's total turnover and on-sold such products to MAIC in the Philippines (see "Summary of Pro Forma Operating Results — 1998 Compared to 1997" below for future treatment of such income). The increase in Peso-denominated sales was reduced in US dollar terms due to a 12.2 per cent. depreciation of the Peso. In addition, turnover was impacted by a decline of US\$1.5 million in the level of sales of fresh pineapples to Del Monte Fresh Produce for the Japanese market due to the economic slowdown in Japan, and by a reduction of US\$5.0 million in the sales of mixed fruits as a result of a temporary shortage of non-pineapple based raw materials.

Cost of goods sold

Cost of goods sold reduced by 9.6 per cent. from US\$161.7 million to US\$146.2 million predominantly as a result of the reduction in the costs of pineapples and pineapple related products. This was in turn a function of the increase in plantation yields from approximately 156 tonnes per hectare (approximately 70 short tons per acre) to 171 tonnes per hectare (approximately 76 short tons per acre) and the consequent reduction in the unit cost of pineapple production. The depreciation effect of the Conversion Factor on raw material costs also contributed to the reduction in the cost of goods sold, together with a reduction in the absolute level of costs in Peso terms as a result of the first full year effect of management's reengineering programme which was put into effect in late 1996. The Group also incurred costs for an amount less than 4.0 per cent. of the total cost of goods sold in respect of the import of corn and deciduous fruit products as discussed above.

Advertising, promotional, selling, administrative and other expenses ("Expenses")

Expenses increased by 62.9 per cent. from US\$15.5 million to US\$25.3 million. This was primarily due to an increase in advertising and promotional expenses incurred in the Philippine market to support the introduction of a new packaging format for tomato products and generally on pineapple solids and beverages, together with expenses incurred in relation to the restructuring of DMPI's distribution system and installation of a new supply chain. New product launch costs also increased from US\$0.3 million to US\$2.9 million in connection with the introduction of certain new products including pasta. Further additional expenses included retrenchment costs of US\$5.7 million arising from the implementation in late 1996 of the management reengineering programme at the Group's cannery. A foreign exchange gain of US\$3.5 million also arose in 1997 due to the Peso depreciation as US dollar dominated sales increased in value in Peso terms.

Net interest expense

Net interest expense increased by 42.5 per cent. from US\$5.6 million to US\$7.9 million as a result of a combination of factors. Capital expenditure was US\$3.5 million higher than the year before, while net accounts receivables increased by US\$1.3 million, both of which contributed to the increase in average level of short-term Peso borrowings by 79.5 per cent., part of which was utilised to reduce the Group's US dollar borrowings in view of the uncertainty of the exchange rate between the US dollar and the Peso. As a result, US dollar borrowings decreased by 43.9 per cent. Peso borrowing costs rose further as a result of an increase in the Group's Peso interest rates from an average of 13 per cent. in 1996 to 19 per cent. in 1997, although this effect was partially mitigated in US dollar terms by the Conversion Factor.

Taxation

The Group's taxation charge increased by 134 per cent. from US\$1.5 million to US\$3.6 million, predominantly due to the increased level of taxable income in the Philippines, foreign exchange gains as a result of the devaluation of the Peso and the payment of taxes in relation to royalty fees payable by DMPI (which commenced in 1997).

1998 Compared to 1997

Turnover

Turnover decreased by 12.2 per cent. from US\$211.5 million to US\$185.6 million as a result of two principal factors: the Conversion Factor had a depreciating effect of 37.4 per cent. on Peso-denominated sales, while the severe drought stemming from the El Niño phenomenon resulted in the reduction of pineapple yields, production volumes and, consequently, international sales volumes. Price adjustments to take account of shortage of supply are subject to a time-lag effect of a number of months, as a result of the mechanisms provided in the Group's supply contracts with its international customers. These negative effects on US dollar sales volumes were not mitigated even by a strong Peso-denominated performance in non-pineapple products in the Philippines, especially mixed fruits and tomato products, due to the severe Conversion Factor. Philippine sales volume increased overall by 11 per cent. despite the shortage of pineapple products and unit prices increased by an average of 9.6 per cent. in Peso terms. Although the Group continued to source certain corn and deciduous fruit products from Del Monte USA and Del Monte International, in view of the management's decision that trading in such products would not form part of the core business of the Group in the future, the Group recognised only the relevant commission income in the sum of less than 0.2 per cent. of the Group's total turnover, compared to the inclusion of the entire sales volume of such products in 1997.

Cost of goods sold

Cost of goods sold decreased by 18.8 per cent. from US\$146.2 million to US\$118.8 million, as a result of three principal reasons: the reduction in production and processing volumes; the fact that the majority of such costs were Peso-denominated and therefore were reduced in US dollar terms due to the Conversion Factor; and, for the reason set out above, the Group considered trading in corn and deciduous fruit products not to be part of its core business and, hence, no cost of goods sold was recorded in respect of such products in 1998. Additional savings in absolute levels of both US dollar and Peso-denominated costs at the cannery, as a result of the management's ongoing cost reduction and efficiency programme, also contributed to the reduction in the cost of goods sold. In particular, the volumes, unit cost and freight costs of tin plate, a non-Peso-denominated raw material, were reduced as a result of various measures taken by management. 1998 was also the first year in which a full year effect was felt from the reduction in employee numbers at the plantation and cannery during 1997, with consequent increases in production and processing efficiencies.

Expenses

Expenses decreased by 21.3 per cent. from US\$25.3 million to US\$19.9 million as the Conversion Factor led to a reduction in the US dollar equivalent of predominantly Peso-denominated costs, mitigating a 16.0 per cent. increase in advertising, promotional and selling expenses in Peso terms in the Philippine market. Retrenchment costs of US\$1.3 million were also incurred in 1998, counterbalanced by a reduction in new product launch costs from US\$2.9 million to US\$0.5 million.

Net interest expense

Net interest expense decreased by 16.0 per cent. from US\$7.9 million to US\$6.7 million as the Group's Peso interest rates fell to an average of 12 per cent. from 19 per cent. in 1997. The Group borrowed a relatively greater proportion of its short-term borrowings in US dollars which were at lower nominal interest rates, and the average level of borrowings was reduced by the repayment of US\$14 million funded from operating cash flows. The Conversion Factor also had a depreciating effect on the US dollar equivalent of Peso-denominated interest expenses.

Taxation

The Group's taxation charge increased by 38.2 per cent. from US\$3.6 million to US\$5.0 million, due to the increased level of taxable income in the Philippines on account of foreign exchange gains from the Peso devaluation and the increased amount of royalty fees payable.

Four Months ended 30th April, 1999 Compared to Four Months ended 30th April, 1998

Turnover

Turnover increased by 13.7 per cent. from US\$49.8 to US\$56.6 million, which was primarily driven by an increase in sales of the Group's pineapple solids and pineapple concentrates to the international markets and sales of cattle in the Philippine market. Like many other plantation operations in the Southeast Asian region, the Group's plantation was adversely affected by the El Niño effect in 1998, whilst its production returned to normal levels since January 1999. However, plantations in Thailand and Indonesia continued to be affected by droughts since early 1999, which caused prices to be firm. International sales prices of the Group's pineapple solids and pineapple concentrate increased by 4.0 per cent. and 2.5 per cent., respectively, during the first four months of 1999. Turnover in cattle increased by 91.7 per cent. The Group was successful in increasing its market share in cattle sales due to its continuing effort in achieving wider distribution coverage and in ensuring a consistent supply of quality beef to its customers. Sales in the Philippines slowed down slightly, which was primarily due to the fact that the Group's customers, in anticipation of the Group's plan to increase the prices of its products on 1st January, 1999, increased their stock levels in November and December 1998 and, as a result, sales in the Philippine market in the first four months of 1999 were slightly lower. The Group tightened its credit terms, which contributed, to a smaller extent, to the said lower level of sales in the Philippines, but this measure reduced the Group's accounts receivable period from 75 days to 45 days.

The business of the Group is typically governed by seasonal cycles and demand in the second half of the year is generally higher than that in the first half. From 1996 to 1998, sales from the months of May to December have comprised approximately 71 per cent., 68 per cent. and 73 per cent. of the total sales in those years, respectively. The unaudited turnover and net profit of the Group for the four months ended 30th April, 1999 outperformed those of the corresponding period in 1998 by 13.7 per cent. and 32.3 per cent., respectively and are ahead of the Group's budget. In view of the foregoing and taking into account management information on the performance of the Group in May and June 1999, the Directors are confident about the performance of the Group for the rest of the year. Please refer to the section headed "— Profit Forecast and Dividends" below for further information regarding the forecast of the pro forma consolidated profit after taxation of the Group for the year ending 31st December, 1999.

Cost of goods sold

Cost of goods sold increased by 19.2 per cent. from US\$32.2 million to US\$38.4 million which was, to a large extent, due to the increase in sales. The appreciation of the Peso against the US dollar also increased the Group's Peso-denominated costs in the Group's US dollar reported results.

Expenses

Expenses decreased by 10.4 per cent. from US\$6.9 million to US\$6.2 million. This was due to the Group's decision to conserve its spending on advertising and promotional activities by delaying new marketing programmes until the second half of 1999. In the first four months of 1998, the Group incurred substantial advertising and promotional expenses in the introduction of new products.

Net interest expense

Net interest expense decreased to US\$1.2 million as a result of the Group's ability to generate cash internally and reduce its short-term borrowings to US\$35.3 million coupled with declining Peso interest rates.

Taxation

The Group's taxation charge increased to US\$0.68 million as a result of the rise in the Group's turnover.

Review of Past Performance by Product

Set out below is an analysis of the Group's turnover and profit before tax by product for the three years ended 31st December, 1998:

Turnover by product

	Year ended 31st December,		
	1996	1997	1998
	(US\$'000)	(US\$'000)	(US\$'000)
Fruits	102,785	105,042	93,686
Beverages	45,729	47,244	42,223
Others	55,010	59,177	49,679
	<u>203,524</u>	<u>211,463</u>	<u>185,588</u>

1997 Compared to 1996

Turnover of fruits increased by 2.2 per cent. from US\$102.8 million to US\$105.0 million driven largely by an increase of 10.0 per cent. in sales of pineapple solids. This was due to an increase in productivity in the plantation and at the cannery (see "Business of the Group — Operations"). The increase in demand for pineapple solids, particularly from the North American and European markets, resulted in a 7.3 per cent. increase in volume shipped. This was offset in part by a decrease in turnover of mixed fruits by 16.2 per cent. due primarily to the shortage of certain non-pineapple based raw materials.

Despite a decrease in total sales volume of beverages during the period, turnover of beverages increased by 3.3 per cent. from US\$45.7 million to US\$47.2 million, due to an 8.8 per cent. increase in average selling prices and an increase in sales of pineapple concentrates.

Turnover of other products increased by 7.6 per cent. from US\$55.0 million to US\$59.2 million primarily due to the following reasons: (i) an increase in turnover of tomato products by 8.2 per cent. as a result of the introduction of new packaging formats, namely SUP-packed tomato products, which supported more aggressive pricing than other glass or can-packed products in the Philippine market and hence attracted more customers and increased sales; (ii) an increase in turnover of cattle by 9.5 per cent. due primarily to improvements in cattle farming methods; and (iii) the Group's commencing to source corn and deciduous fruit products from Del Monte USA and Del Monte International, as described above. The above increase was partially offset by the decrease in sales of fresh fruit by 16.3 per cent., which was principally due to the slow down in demand from the Japanese market.

1998 Compared to 1997

Turnover of fruits decreased by 10.8 per cent. from US\$105.0 million to US\$93.7 million. This resulted from a 14.4 per cent. reduction in turnover of pineapple solids, due primarily to the El Niño phenomenon in late 1997 and 1998 and the resulting drought, which resulted in a decline in the production of pineapples. As a result of the Peso devaluation, there was strong growth in demand in the Philippine market for the Group's domestically produced mixed fruits marketed under its Today's brand. The Group's main competing products in this category were those imported from the United States and the prices of these US dollar denominated imports increased substantially in Peso terms. As a consequence, many consumers of

mixed fruits switched from imported to domestically produced mixed fruits. However, the said increase was partially offset by the Conversion Factor and by a decline in mixed fruit turnover to the Far East due to the slow down of the economies in the region.

Turnover of beverages decreased by 10.6 per cent. from US\$47.2 million to US\$42.2 million, as the Conversion Factor reduced US dollar equivalents of Philippine market sales, which represented 50.9 per cent. of the net sales of beverages. The said decrease was partially offset by a 15.1 per cent. increase in the net sales of pineapple concentrate, which were mainly made to the North American and European markets, due to an increase in demand from the Group's customers in those markets.

Turnover of other products decreased by 16 per cent. from US\$59.2 million to US\$49.7 million. Turnover of tomato products sold in the Philippine market decreased by 13.3 per cent. due primarily to the Conversion Factor. In addition, despite a 25.7 per cent. increase in volume and an increase in Peso sale price, net sales of cattle decreased by 3.4 per cent. due to the Conversion Factor. Volume and turnover of fresh pineapple decreased by 18.9 per cent. and 21.8 per cent., respectively, due primarily to the continuing slow down in demand from the Japanese market. As discussed above, the Group only recognised the relevant commission income as turnover for the sale of the corn and deciduous fruit products sourced from Del Monte USA and Del Monte International.

Profit before tax by product

	Year ended 31st December,		
	1996	1997	1998
	(US\$'000)	(US\$'000)	(US\$'000)
Fruits.	8,089	19,715	24,281
Beverages	5,715	9,242	10,132
Others	6,907	3,042	5,803

Pre-tax profit margin by product

	Year ended 31st December,		
	1996	1997	1998
	(%)	(%)	(%)
Fruits.	7.9	18.8	25.9
Beverages	12.5	19.6	24.0
Others	12.6	5.1	11.7

Save for in respect of expenses that are identifiable and attributable to particular products, in arriving at profit before tax for each product category, expenses (including interest expenses) are allocated and charged according to the proportion that the gross profit of the product concerned bears to the Group's total gross profit.

1997 Compared to 1996

Pre-tax profit for fruits increased by 143.7 per cent., from US\$8.1 million to US\$19.7 million. This significant increase was due to: (i) the increase in productivity at the plantation; (ii) the effect of the Conversion Factor on all Peso-denominated raw material and production costs (which accounted for more than 60 per cent. of the costs of these products); (iii) a decrease in packaging costs (which reduction, in the case of products for domestic sales, was partially offset by the devaluation of the Peso); and (iv) the cost reduction achieved through the restructuring of the Group's distribution system. The said increase in pre-tax profit was in part reduced by a 79.7 per cent. increase in expenses primarily due to an increase in advertising, promotional and selling expenses, higher allocation of increased interest expenses and the charging of retrenchment costs.

Pre-tax profit for beverages increased by 61.7 per cent. from US\$5.7 million to US\$9.2 million for largely the same reasons as for fruits. Expenses increased by 27.6 per cent. due to an increase in advertising, promotional and selling expenses and interest expenses, and the charging of retrenchment costs.

Despite the increase in tomato product prices and the improvement in profit margin of fresh pineapples due to the reduction of pineapple costs as a result of higher pineapple yield achieved in the plantation and the Conversion Factor, pre-tax profit for other products decreased by 56.0 per cent. from US\$6.9 million to US\$3.0 million due to an increase in the cost of purchasing cattle, which was denominated in US dollars, and the charging of the introductory costs and expenses for certain new products and inventory provisions as a result of the restructuring of the Group's distribution system.

1998 Compared to 1997

Pre-tax profit for fruits increased by 23.2 per cent. from US\$19.7 million to US\$24.3 million due to the effect of the Conversion Factor on Peso-denominated costs, a number of efficiencies in the production of tin cans and changes in the specifications of the tin plate used, and a further reduction in the price of tin plate. Margins were also positively affected by the Conversion Factor on international sales.

Pre-tax profit for beverages increased by 9.6 per cent. during the period and pre-tax profit margin increased from 19.6 per cent. to 24.0 per cent., which was driven by significant increases in profit and margin from pineapple concentrates as US dollar denominated turnover rose by 15.1 per cent., while costs, 90 per cent. denominated in Pesos, fell because of the Conversion Factor.

The increase in pre-tax profit of 90.8 per cent. and pre-tax profit margin from 5.1 per cent. to 11.7 per cent. for other products was primarily due to the effect of the Conversion Factor on the costs of fresh pineapples, which was partially offset by the negative effect of the Conversion Factor on tomato products, which generated Peso-denominated sales on US dollar denominated costs.

Other expenses for fruits, beverages and other products reduced by 3.5 per cent., 19.5 per cent. and 34.3 per cent., respectively, primarily due to the effect of the Conversion Factor on Peso based costs and lower amounts of retrenchment costs, inventory provisions and interest expenses charged compared to 1997.

Review of Past Performance by Geographical Markets

Set out below is an analysis of the Group's turnover and profit before tax by geographical market for the three years ended 31st December, 1998:

Turnover by geographical region

	Year ended 31st December,		
	1996 (US\$'000)	1997 (US\$'000)	1998 (US\$'000)
Asia	133,071	134,454	112,794
North America	53,704	55,409	46,577
Europe.	16,749	21,600	26,217
	<u>203,524</u>	<u>211,463</u>	<u>185,588</u>

1997 Compared to 1996

Asia

Turnover increased by 1.0 per cent. from US\$133.1 million to US\$134.5 million. During the year, the Group restructured its Philippine distribution system (see "Business of the Group — Philippine Market") and, as a result, the Group acquired the inventory of its former distributors (which were treated as sales in 1996). Had the Group not repurchased the inventory, turnover in 1997 would have been 10.2 per cent. higher than 1996. The Group was able to increase the average selling prices of its beverages and tomato products sold in the Philippines by 5.7 per cent. and 4.7 per cent., respectively, during the year. Turnover for Asia (outside the Philippines) declined by 5.9 per cent. as demand for the Group's products in other Asian countries was adversely affected by the regional economic crisis.

North America

Despite a decrease in volume of 6.3 per cent. due mainly to the lower requirements of customers, turnover increased by 3.2 per cent. from US\$53.7 million to US\$55.4 million. This was due to an increase in the average selling prices by 10.1 per cent.

Europe

Turnover increased by 29.0 per cent. from US\$16.7 million to US\$21.6 million. The increase in sales was due to higher demand for the Group's pineapple solids and pineapple concentrates in the European market.

1998 Compared to 1997

Asia

Turnover decreased by 16.1 per cent. from US\$134.5 million to US\$112.8 million. In the Philippine market, turnover actually increased by 20.7 per cent. in Peso terms but the Conversion Factor led to a lower US dollar turnover. During the year, demand for the Group's Today's brand mixed fruits in the Philippines increased substantially, as described above. However, sales of tomato-based products decreased by 13.3 per cent. due to the Conversion Factor. In addition, turnover for Asia (outside the Philippines) decreased by 24.4 per cent. due to the ongoing regional economic crisis in Asia which continued to have an adverse effect on demand for the Group's products and the effect of the sales recognition method in respect of the corn and deciduous fruit products sourced from Del Monte USA and Del Monte International, as described above.

North America

Turnover decreased by 15.9 per cent. from US\$55.4 million to US\$46.6 million primarily due to the 1997/1998 drought which led to a reduction in supply of pineapple solids. In addition, one of the Group's pineapple concentrate customers reduced the fruit juice content of its juice drinks, leading to lower demand for the Group's pineapple concentrate products. This accounted for a US\$3.5 million decrease in turnover.

Europe

Turnover increased by 21.4 per cent. from US\$21.6 million to US\$26.2 million as a result of an increase in demand for pineapple concentrate from the European market.

Profit before tax by geographical region

	Year ended 31st December,		
	1996	1997	1998
	(US\$'000)	(US\$'000)	(US\$'000)
Asia	20,250	19,385	20,393
North America	1,067	9,951	12,790
Europe.	(606)	2,663	7,033

Pre-tax margins by geographical region

	Year ended 31st December,		
	1996	1997	1998
	(%)	(%)	(%)
Asia	15.2	14.4	18.1
North America	2.0	18.0	27.5
Europe.	—	12.3	26.8

1997 Compared to 1996

Asia

Pre-tax profit in Asia decreased by 4.3 per cent. from US\$20.3 million to US\$19.4 million. During the year, the Group started to benefit from some of the changes that it had instituted following the change in ownership and management in 1996. Efficiency and productivity in the plantation and the cannery increased and this resulted in an increase in the yield of pineapples. Against that, Philippine pre-tax profit and margins were adversely affected by the Conversion Factor.

During 1997, the Group also incurred significant advertising and promotional expenses in connection with the introduction of certain new products including pasta. In addition, the cost of media placements increased by about 20 per cent. due to the depreciation of the Peso. As a result, advertising, promotional and selling expenses for the year increased by approximately 40 per cent. Further expenses included retrenchment costs arising from the implementation of the management re-engineering programme at the Group's cannery as discussed above and higher interest expenses. Pre-tax margin accordingly declined from 15.2 per cent. to 14.4 per cent.

North America

Pre-tax profit in North America increased significantly from US\$1.1 million to US\$10.0 million and its pre-tax margin increased similarly, as a result of a 10.1 per cent. increase in average selling prices, the reduction in costs of certain raw materials as a result of the Conversion Factor and the decrease in the price of tin plate and the above-mentioned increase in efficiency and productivity in the plantation and at the cannery. Other expenses increased due to the charging of retrenchment costs as discussed above and higher interest expenses incurred.

Europe

Pre-tax profit in Europe increased to US\$2.7 million from a loss of US\$0.6 million and it achieved a pre-tax margin of 12.3 per cent. Sales to the European market were mainly pineapple-based and hence benefitted from the same factors as for the North American market. Other expenses increased for largely the same reasons as for North America.

1998 Compared to 1997

Asia

Pre-tax profit in Asia increased by 5.2 per cent. from US\$19.4 million to US\$20.4 million, whilst its pre-tax margin increased from 14.4 per cent. to 18.1 per cent. During the year, pre-tax profit and margin of the products sold in the Philippines were adversely affected by the Conversion Factor and the higher costs of imported raw materials, as a result of the devaluation of the Peso, which were only partly passed on to consumers. In addition, the 1997/1998 drought led to lower tonnage of pineapples harvested and hence higher unit costs. However, pre-tax profit and margin for sales to Asia outside the Philippines increased due to cost reduction as a result of the effect of the Conversion Factor on Peso-denominated costs. This more than compensated for the effect of the Peso depreciation on the Philippine market as mentioned above.

Advertising, promotional and selling expenses decreased by 22.1 per cent. in 1998 as introductory costs for certain new products were only incurred in 1997. However, there was an increase of approximately 15.2 per cent. in selling expenses in Peso terms as the Group built on its new supply chain management system and the full year impact of the restructuring of the distribution system was felt. Further retrenchment costs and expenses as discussed above were incurred in the period.

North America

Pre-tax profit in North America increased by 28.5 per cent. from US\$10.0 million to US\$12.8 million and pre-tax margin increased from 18.0 per cent. to 27.5 per cent. Sales to the North American market were US dollar denominated and hence not affected by the devaluation of the Peso. However, since more than approximately 60 per cent. of the costs of the Group's products exported to this market were Peso-denominated, margins improved. This more than compensated for the lower pineapple recovery rate experienced as a result of the 1997/1998 drought. Despite the charging of lower retrenchment costs and the lower interest expenses incurred by the Group, other expenses increased due to higher interest expenses being allocated to products sold to this market.

Europe

Pre-tax profit in Europe increased by 164.1 per cent. from US\$2.7 million to US\$7.0 million with an increase in pre-tax margin from 12.3 per cent. to 26.8 per cent. These improvements were generated by similar reasons as for the North American market, with growth also generated by the increase in demand for pineapple concentrates as discussed above. Interest expenses increased for the same reason as for North America.

Properties and Fixed Assets

The Group has 100 per cent. of its properties and fixed assets situated outside Singapore.

The Group did not incur any major single item of capital expenditure in the three years ended 31st December, 1998. The movements in fixed assets relate to capital expenditure and depreciation charges and were affected by the depreciation of the Peso in 1997 and 1998.

In the three years ended 31st December, 1996, 1997 and 1998, the Group spent a total of US\$7.8 million, US\$4.3 million and US\$7.5 million, respectively, on capital expenditure. This was primarily for maintenance of plant and equipment at the Group's plantation and cannery, and included US\$2.8 million, US\$1.2 million and US\$2.1 million in the respective years on specific upgrades and additions to production machinery.

As at the date of this Prospectus, the Group has no material capital commitments.

Intangibles

Intangibles represents the carrying cost of licensed trademarks for the exclusive right to use the Del Monte brand in the Philippines and certain territories in the Indian subcontinent. Part of the carrying cost is the estimated future cash payments to be made as at 31st December, 1996.

Other Assets

Other assets mainly comprise tax refund receivable, purchase and utility deposits and advances to private landowners for leasing their land to the Group.

Current Assets

Current assets have remained fairly stable over the three year period under review, at US\$97.2 million, US\$90.8 million and US\$98.1 million as at 31st December, 1996, 1997 and 1998, respectively. Cash in hand (or at bank) was US\$1.9 million, US\$0.4 million and US\$1.7 million as at 31st December, 1996, 1997 and 1998, respectively. The Group maintains stringent control over its accounts receivable and was able to maintain day sales outstanding of 55 days, 30 days and 35 days in the three years 1996, 1997 and 1998, respectively. Inventory levels increased from US\$33.1 million as at 31st December, 1996 to US\$36.2 million as at 31st December, 1998, and inventory days increased from 75 days to 84 days between 1996 and 1997 and to 108 days in 1998. Levels of inventory as at 31st December, 1997 and 1998 were affected by the staged buyback of inventory from distributors as a result of the change in distribution system offset by the depreciation of the Peso. Inventory as at 31st December, 1998 was also boosted by the increased tonnages of production, as the effects of the drought subsided, resulting in increased finished product inventory.

Current Liabilities

Current liabilities comprise mainly short term borrowings and bank overdrafts, accounts payable and accrued liabilities. Short-term borrowings and bank overdrafts remained stable in US dollar terms at US\$33.6 million and US\$33.8 million as at 31st December, 1996 and 1997, respectively, although Peso-denominated borrowings increased in 1997 to finance general working capital requirements. In 1998, short-term borrowings decreased by US\$8.9 million to US\$25.7 million as the Group utilised surplus cash from operations to repay bank loans.

Growing Crops

The Group's policy is to capitalise all cultivation costs for the first harvest (that is, costs from six months prior to planting up to harvesting), including land preparation costs, planting, fruit development, forcing and fertilisation, in the growing crops account. On the first harvest, the Group estimates the amount of costs required for the cultivation of the ratoon crop until it is harvested and aggregate the estimate with the actual cost incurred in cultivating the first harvest so as to arrive at the cost per tonne. This cost per tonne is then applied to the actual tonnage cultivated at the first harvest and the applicable cost amount transferred from the growing crops account to the inventory account. The balance outstanding in the growing crops account, together with actual costs incurred in cultivating the ratoon crop, are transferred to the inventory account at the harvest of the ratoon crop.

The growing crops account decreased by 30.7 per cent. from US\$41.9 million in 1996 to US\$29.1 million in 1997, due to the depreciation of the Peso. In 1998, the growing crops account increased by 10.4 per cent. to US\$32.1 million due to an increase in labour cost of approximately 7 per cent. and because the Group started cultivating new lands during the year.

Deferred Income Tax

Deferred income tax arises due to differences in accounting and tax treatments of growing crops and depreciation rates.

Shareholders' Funds

Shareholders' funds increased in Peso terms every year as a result of increases in retained earnings arising from net profits net of dividends paid to shareholders. In US dollar terms, shareholders' funds decreased in 1997 as a result of the depreciation of the Peso. There have been no other significant movements in shareholders' funds in the last three years.

Pro Forma Capitalisation

The following table sets out the pro forma capitalisation and short-term borrowings of the Group as at 31st December, 1998 based on its pro forma consolidated financial position as at 31st December, 1998 and as adjusted to reflect the payment of a dividend of US\$20.0 million made on 22nd February, 1999, issuance of New Shares pursuant to the Offer and the Placement and the application of the net proceeds to the Company as if the issuance had occurred on 31st December, 1998. In addition, the adjustments take account of a dividend of US\$45.0 million paid on 25th June, 1999, and an increase in loans payable of US\$37.0 million to help finance the payment of such dividend. Save as disclosed above, there has been no material change in the figures as shown in the following table since 31st December, 1998.

	<u>As at 31st December, 1998</u> (US\$'000)	<u>As adjusted ⁽¹⁾</u> (US\$'000)
Shareholders' funds		
Issued and fully paid-up	10,000	11,429
Paid-in capital	9,990	84,425
Cumulative translation difference	(40,289)	(40,289)
Retained earnings	<u>83,197</u>	<u>28,187</u>
 Total shareholders' funds	 <u>62,898</u>	 <u>83,752</u>
 Short-term borrowings	 <u>25,667</u>	 <u>62,667</u>
 Total capitalisation and short-term borrowings	 <u><u>88,565</u></u>	 <u><u>146,419</u></u>

Note:

(1) Assumes that the Over-Allotment Option has not been exercised and that no Shares have been issued under the ESOP.

On the basis of the pro forma consolidated balance sheet of the Group as at 31st December, 1998, the Group's consolidated net debt-to-equity ratio was 38.1 per cent. Following completion of the Invitation, and adjusting for the receipt of the net proceeds, the Group is expected to be in a net cash position.

Liquidity

In the three year period under review, the Group has historically financed the expansion of its operations through a combination of internally-generated cash flows and borrowings from banks and other financial institutions.

The Group generated strong net cash flows from operations in the three years ended 31st December, 1998. Net operating cash inflows (before capital expenditure) amounted to US\$39.0 million, US\$31.2 million and US\$37.0 million in 1996, 1997 and 1998, respectively, while net profit recorded for those periods were US\$19.2 million, US\$28.4 million and US\$35.3 million, respectively. Capital expenditure of US\$7.8 million, US\$4.3 million and US\$7.5 million was incurred in the three years ended 31st December, 1996, 1997 and 1998, respectively.

DMPRL proposed and paid cash dividends of US\$10 million and US\$15 million in respect of the years ended 31st December, 1997 and 1998, respectively, to its then existing shareholders, MCI, Juliet and DMGL. No dividend was declared or paid by DMPRL for the year ended 31st December, 1996. On 22nd February, 1999 and 25th June, 1999, cash dividends of US\$20 million and US\$45 million, respectively, in aggregate were paid to MCI, Juliet and DMGL. (See "Profit Forecast and Dividends — Dividends" below for details of dividends declared and paid by other companies within the Proforma Group).

As at 31st December, 1998, the Group had aggregate banking facilities for trade financing and factoring of accounts receivable for the amount of US\$162.3 million from 23 banks and financial institutions, of which US\$68 million had been utilised with the proceeds being applied to meet working capital requirements. As at 31st December, 1997 and 1996, the Group had aggregate banking facilities for

trade financing and factoring of accounts receivable of US\$172.5 million and US\$199.8 million, respectively, of which US\$65.0 million and US\$66.5 million, respectively, were utilised with the proceeds being used to fund working capital requirements.

As at 30th April, 1999, the Group had total outstanding borrowings of US\$35.3 million, which was used to fund working capital requirements and all of which were repayable within one year from that date. As at 30th April, 1999, the Group had undrawn banking facilities for trade financing and factoring of accounts receivables of US\$94.3 million from 23 banks and financial institutions. Subsequently a further US\$37.0 million of borrowings was incurred to help finance the payment of the dividend paid on 25th June, 1999.

As at 30th April, 1999, save as disclosed in this Prospectus and save in relation to borrowings used to finance the operations of the Group in the ordinary course of its business, the Group had no other material borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Profit Forecast and Dividends

Profit Forecast

The Directors forecast that, in the absence of unforeseen circumstances and on the basis and assumptions set out below, the pro forma consolidated profit after taxation and minority interests and after extraordinary items of the Group for the year ending 31st December, 1999, prepared on the assumption that the current structure of the Group had been in place since 1st January, 1999, will not be less than US\$42 million. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31st December, 1999.

The profit forecast has been prepared on bases consistent with the accounting policies normally adopted by the Group and has been prepared based on the following assumptions:

- (a) there will be no material changes in existing legislation, government regulations or guidelines of regulatory authorities or the interpretation thereof, or political, economic, legal or regulatory conditions affecting the activities of the Group, the industry or the countries in which the Group operates;
- (b) there will be no material changes in the bases or rates of taxation, tariffs, duties, levies, currency exchange rates, rates of inflation and interest rates from those prevailing at the date of the forecast and which may affect the Group's performance. The exchange rate used in the forecasts of the Group for the year ending 31st December, 1999 is £38 to US\$1;
- (c) there will be no significant disruptions arising from industrial disputes or the supply of labour or any other causes which will affect the operations of the Group;
- (d) there will be no major disruptions to the supply of raw materials and trading products to the Group;
- (e) there will be no material changes in the cost of raw materials and trading products, labour costs, overheads and other costs from those currently prevailing;
- (f) there will be no exceptional circumstances which will require provisions to be made by the Group in respect of any contingent liability or arbitration threatened or otherwise, abnormal bad debts or stock obsolescence provisions, uncompleted contracts or other assets;
- (g) there will be no adverse effect from weather conditions, industrial accidents, machinery breakdowns or other similar occurrences, climatic disease and other natural risks which are part of the operating environment; and
- (h) there will be no material changes to the terms and conditions of existing long-term supply agreements and arrangements with customers.

The text of the letter from the auditors and reporting accountants in relation to the profit forecast is set out under “Letter from the Auditors and Reporting Accountants in relation to the Pro Forma Consolidated Profit Forecast for the year ending 31st December, 1999”.

The above profit forecast was prepared based on available information and on assumptions that the Directors consider reasonable in the light of, among other factors, prevailing market conditions, historical operating results, the existing regulatory environment, recent developments in the industry and the Company’s future business plans and strategies. These assumptions do not take into account possible competitors’ response to the Company’s business strategies. While the Directors consider the assumptions to be reasonable under the circumstances in which they were made, there will usually be variances between the forecasted and actual results, because events and circumstances do not always occur as expected. In certain cases, those differences may be material. The Company does not intend to update or otherwise revise the profit forecast to reflect events or circumstances existing or arising after the date of the forecast or to reflect the occurrence of unexpected events. The Company is, however, subject to the provisions of the Listing Manual of the SES regarding corporate disclosure.

See also “Cautionary Note Regarding Forward - Looking Statements” and “Invitation Statistics”.

Dividends

On the basis of the above forecast pro forma consolidated profit after taxation and minority interests but before extraordinary items and in the absence of unforeseen circumstances, the Directors at present intend to recommend a final dividend of 0.51 US cent per Share (on the basis of 1,142,857,143 Shares in issue after completion of the Invitation) in respect of the year ending 31st December, 1999, which will be payable by August 2000. However, had the Company been a listed company for the whole of the year ending 31st December, 1999, the Directors would have expected to have paid total dividends in respect of that year of not less than 1.21 US cents per Share. On the basis of the Invitation Price of US\$0.63 per Share, this would have represented a prospective gross dividend yield of not less than 1.92 per cent.

It is the present intention of the Directors that in respect of the year ending 31st December, 2000 and subsequent years, a final dividend will be paid by August in each year.

The Company is authorised to pay cash or stock dividends, or a combination thereof, subject to the approval of the Board. Dividends paid in cash are subject to the approval of the Board and shareholders in general meeting.

The Company intends to declare dividends (either in cash or stock or both) in the future representing not less than 33 per cent. of the Group’s audited consolidated net profit available for distribution, but dependent on, among other factors, the Company’s earnings, cash flows, financial condition, capital expenditure and investment requirements at the relevant time.

DMPRL proposed and paid cash dividends of US\$10 million and US\$15 million in respect of the years ended 31st December, 1997 and 1998 to its then existing shareholders, MCI, Juliet and DMGL. No dividends were declared or paid by DMPRL for the year ended 31st December, 1996. On 22nd February, 1999, cash dividends of US\$20 million were paid to MCI, Juliet and DMGL, and on 25th June, 1999, a further cash dividend of US\$45 million was paid to MCI, Juliet and DMGL.

Dividends paid to holders of Shares may be subject to their home country taxation. See “Appendix IV — Dividends and Taxation”.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The Board is responsible for the overall management and direction of the Company. It will meet on a quarterly basis, or as often as required, to review and monitor the Company's financial position and operations. The Board may also delegate certain of its functions to a Management Committee. The Management Committee may act on such corporate matters as are within the competence of the Board as defined in the Company's Articles of Association except the following: (1) approval of any corporate action for which shareholder approval is required; (2) filling of vacancies on the Board; (3) any amendment or repeal of the Articles of Association or the adoption of new articles of association; (4) amendment or repeal of any resolution of the Board which by its express terms is not subject to amendment or repeal; and (5) distribution of cash dividends.

Directors

The Board of Directors is entrusted with the responsibility for the overall management of the Company. The particulars of the Directors are set out below:

Name	Age	Residential Address	Position
Tony Chew Leong-Chee ⁽¹⁾ . .	52	6B Cluny Park Singapore 259615	Chairman
Luis P. Lorenzo, Jr. ⁽¹⁾	41	Unit 1807 Pine Quest Tagaytay Highlands Cavite Philippines	Vice-Chairman
Vivian S. Imerman ⁽¹⁾	44	9 Hanover Terrace Regents Park London NW1 4RJ United Kingdom	Vice-Chairman and Joint Managing Director
Martin P. Lorenzo ⁽¹⁾	34	405-D Skate Circle New East Kalayaan Subic Free Port Philippines	Joint Managing Director
Paul S. Danowa ⁽¹⁾	63	33 The Grange Holloway Drive Virginia Park Virginia Water Surrey United Kingdom	Director
Jacques Fragis ⁽¹⁾	47	39 Kingsley Way Hampstead Garden Suburb London N2 0EH United Kingdom	Director
Hymie R. Levin ⁽²⁾⁽³⁾	54	6 Sixth Street Houghton Johannesburg South Africa	Director
Vicente S. Pérez, Jr. ⁽²⁾	41	6010 Long Champ Court #114 Austin Texas 78746 United States of America	Director
Wong Fong Fui ⁽²⁾	56	4 Mayfield Avenue Singapore 438018	Director

Name	Age	Residential Address	Position
Richard W. Blossom ⁽²⁾⁽⁵⁾	50	3 Ardmore Park, #12-02 Singapore 259950	Independent Director
Sydney Michael Hwang ⁽²⁾⁽⁴⁾⁽⁵⁾	55	12-A Ewart Park Singapore 279746	Independent Director

Notes:

- (1) Director of the Group prior to the Restructuring Exercise.
- (2) Newly appointed Director of the Group following the Restructuring Exercise.
- (3) Mr. Hymie R. Levin is the senior partner of H.R. Levin Attorneys, legal advisers to the Company as to South African law.
- (4) Mr. Sydney Michael Hwang is a partner of Allen & Gledhill, the Solicitors to the Invitation.
- (5) Independent non-executive.

Mr. Luis P. Lorenzo Jr. and Mr. Martin P. Lorenzo are brothers. Save as disclosed, none of the Directors is related to one another. Further information on the Directors is contained in the section on “General and Statutory Information — Information on Directors and Executive Officers”.

Directors’ Interests

Save as disclosed below, none of the Directors has any substantial equity interests and/or directorships in any company which is in the same business as the Group.

Mr. Luis P. Lorenzo, Jr. and Mr. Martin P. Lorenzo are directors and shareholders, and Mr. Marco P. Lorenzo (who is an Executive Officer — see “Management” below) is a shareholder, of Lapanday, the holding company of the Lorenzo Group’s various agribusiness interests relating to the production and export of Cavendish bananas. In addition, Mr. Martin P. Lorenzo is the President and a director of MAIC, which acts as the distributor in the Philippines for certain canned deciduous fruit products which the Group purchases from Del Monte USA and Del Monte International. See “— Related Party Transactions” below for further information relating to the distribution arrangements involving MAIC.

Mr. Vivian S. Imerman is the Chief Executive Officer and a director of DelHold and other companies in the DelHold group of companies, including DelCorp. He is also the Chairman and a director of both DelCorp and Del Monte Royal Foods. Del Monte Royal Foods is the holding company of a group of companies (including Del Monte Kenya) engaged in the processing, marketing and distribution of branded food products, including pineapples. He also has a direct interest in DelHold, and an indirect interest in shares in companies in the DelHold group.

Mr. Vivian S. Imerman is also the Chairman and a director of SAICO and has an indirect interest in SAICO through his interest in DMGL. See “Risk Factors — Conflicts of Interest” for more information relating to Del Monte Kenya, SAICO and DMGL.

Mr. Paul S. Danowa is President, Chief Operating Officer and a director of Del Monte Royal Foods and other companies in the Del Monte Royal Foods group, including Del Monte Kenya and SAICO. See “Risk Factors — Conflicts of Interest” for more information relating to Del Monte Kenya and SAICO.

Mr. Hymie R. Levin is a director of DelHold, DelCorp and Del Monte Royal Foods and other companies in the Del Monte Royal Foods group. He also has an insubstantial interest in shares in DelHold and Del Monte Royal Foods.

Mr. Jacques Fragis is the group finance director of the DelHold group of companies and a director of other companies in the DelHold group, including Del Monte Kenya and SAICO. See “Risk Factors — Conflicts of Interest” for more information relating to Del Monte Kenya and SAICO.

Mr. Vicente S. Pérez, Jr. is a director and shareholder of Macondray.

Service Agreements

As at the date of this Prospectus, there are no service agreements between the Company and any of its Directors.

Corporate Governance

To coordinate the activities of the Group, the Directors propose to hold quarterly meetings to discuss financial performance. At each meeting, past budgets will be compared with the actual results and strategy and forecasts for the following months will be discussed, and approved as appropriate.

The audit committee of the Company comprises the two independent Directors and Mr. Luis P. Lorenzo, Jr. It will meet periodically to discuss and review: (a) with the external auditors the audit plan, their evaluation of the system of internal accounting controls and the audit report; (b) the assistance given by the Company’s officers to the external auditors; (c) the scope and the results of the internal audit procedures; and (d) the accounts of the Company and the consolidated accounts of the Group. All related party transactions will be subject to regular periodic reviews by the audit committee of the Company.

Management

The day-to-day operations of the Group are entrusted to the executive Directors and the Executive Officers of the Company responsible for the different functions of the Group. The particulars of the Executive Officers are set out below:

<u>Name</u>	<u>Age</u>	<u>Residential Address</u>	<u>Position</u>
James L. Elder	57	1812 Janton Street Dasmariñas Village Metro Manila Philippines	President, DMPI
Timothy L. Chu	52	1604 Cypress Street Dasmariñas Village Metro Manila Philippines	Senior Vice President and Chief Financial Officer, DMPI
Alejandro T. Castillo	48	215 Bulusan Street Ayala Alabang Village Muntinlupa City Metro Manila Philippines	Senior Vice President and Managing Director, Philippine Market, DMPI
James C. Barger	52	House No. 13 Cawayanon Compound Manolo Fortich Bukidnon Philippines	Vice President, Cannery Operations, DMPI

Name	Age	Residential Address	Position
Marco P. Lorenzo	38	House No. 23 Cawayanon Compound Manolo Fortich Bukidnon Philippines	Vice President, Plantation Operations, DMPI
Jaime W. Ong.	53	Marcelo St Corner Yulo Street BF Executive Village Las Piñas Metro Manila Philippines	Vice President, Corporate Human Resources and Corporate Affairs, DMPI
Antonio C. Ongpin	49	58C Lorenzo BF Executive Village Paranaque City Metro Manila Philippines	Vice President, International Marketing, DMPI/CEPL
Domingo R. Capistrano . . .	47	House No. 2 Cawayanon Compound Manolo Fortich Bukidnon Philippines	Vice President, Corporate Controller, DMPI

Mr. Marco P. Lorenzo is a brother of Mr. Luis P. Lorenzo Jr. and Mr. Martin P. Lorenzo, Directors of the Company. Save as disclosed, none of the Executive Officers of the Group is related to one another or to any of the Directors.

Further information on the Executive Officers is contained under “General and Statutory Information — Information on Directors and Executive Officers”.

Executive Officers’ Interests

Save as disclosed on page 84 of this Prospectus, none of the Executive Officers of the Group has any substantial equity interest in any company which is in the same business as the Group.

Employee Incentive Plans

The three-year Management Incentive Plan (the “MIP”) was established on 1st January, 1997 and provides management employees and key executives with a long-term incentive programme designed to promote their goodwill, loyalty and efficiency as well as provide them with higher earnings potential for their greater financial security. The MIP grants incentive bonuses to managers and executives of specified salary grade levels provided that the relevant financial targets for the three-year programme period are consistently met. The MIP bonus entitlement, which is payable at the end of the programme period, will be a summation of the combined 1997 to 1998 and 1999 credits computed as follows: the employees’ annual base salary multiplied by a percentage based on the salary grade level, multiplying the result by the relevant percentage accomplishment rate and period weight rate factor.

The MIP is due to end in December 1999. The Directors believe that the MIP has been effective in motivating and focusing the management of the Group. A new MIP for management and executives is currently being considered by the Directors.

DMPI also operates the Annual Incentive Award Plan (“AIAP”) which provides annual cash bonuses to managers and senior managers, including senior executives. The target bonus is determined by multiplying the manager’s base salary by a percentage based on salary grade level. The bonus entitlement is payable upon DMPI’s achievement of the annual financial objective and individual performance objectives for the year concerned.

Executive Stock Option Plan

The Company has adopted a share option plan (“ESOP”), the terms of which are set out in Appendix III of this Prospectus. Following the close of the Invitation, the Company proposes to grant IPO Options (as defined in Appendix III of this Prospectus) to the Directors and the Executive Officers, giving the right to subscribe for an aggregate of up to 5,941,668 Shares and 2,399,521 Shares, respectively, pursuant to the provisions of the ESOP. In addition, the Company also proposes to grant IPO Options giving the right to subscribe for an aggregate of up to 3,087,382 Shares to other persons who are eligible under the ESOP.

Employees

The table below sets out information on the number and category of regular employees of the Group and its subsidiaries and affiliated companies as at 30th April, 1999:

	<u>Number</u>
Executive and managerial	120
Supervisory	379
Rank and file	<u>5,474</u>
Total	<u><u>5,973</u></u>

The table below sets out information on the location of the regular employees of the Group as at 31st December, 1996, 1997 and 1998:

<u>Location</u>	<u>As at 31st December,</u>		
	<u>1996</u>	<u>1997</u>	<u>1998</u>
Plantation.	3,891	3,183	3,079
Cannery, Bugo	3,234	3,108	2,756
Metro Manila	<u>112</u>	<u>153</u>	<u>171</u>
Total regular employees.	<u><u>7,237</u></u>	<u><u>6,444</u></u>	<u><u>6,006</u></u>

The Company also employs temporary workers at the plantation and the cannery. As at 31st December, 1996, 1997 and 1998, the number of temporary workers employed was 516, 117 and 224, respectively.

The Group has experienced low staff turnover and has not encountered any difficulties in replacing employees who have left. The Group considers its relations with its employees to be harmonious.

Retirement Plan

The DMPI Retirement Plan, which became effective on 1st January, 1988, is a non-contributory benefit retirement plan covering substantially all regular DMPI employees. Contributions of amounts equivalent to a certain percentage of the employee’s monthly basic salary are made periodically by DMPI to each employee’s personal retirement account (“PRA”). Subject to actuarial valuation, additional contributions may be made by DMPI to cover the guaranteed minimum lump sum benefit of one month salary per year of service or other contingencies. Contributions are partially vested in a participant upon completion of 10 years of service and are fully vested upon completion of 15 years of service.

A Supplementary Provident Plan, which was initiated on 1st January, 1988, is an optional benefit plan offered to all regular employees. It replaced the Employees’ Provident Plan, which was initiated on 1st June, 1971. Member-participants may contribute up to a specified percentage of their salary and DMPI will

contribute a proportion of the member's monthly contribution up to a maximum percentage as prescribed by the plan. Vesting of contributions made by DMPI shall apply on a partial basis upon completion of 10 years of membership and full vesting upon completion of 15 years of membership.

Union Membership

Most of the Group's regular, non-supervisory workers are members of one of three unions, namely Bugo Cannery and Stevedores Labor Union — Workers Alliance Trade Unions, Del Monte Plantation Monthly Salaried Employees Union — Workers Alliance Trade Unions and Del Monte Philippines, Inc. Employees Union — Local 302 — Associated Labour Unions. DMPI has maintained good relations with all of its unions, which is evidenced by the granting to DMPI of the 1999 Kapatid Award for Industrial Peace and Harmony by the Employers' Confederation of the Philippines, and there has been no instance of stoppage or industrial action in the period since 1969. The Directors believe that the continuing good relations are directly attributable to the success of management's approach to the running of the Group's operations since the installation of the current management team in 1996.

Related Party Transactions

Del Monte Royal Foods and its related companies

Del Monte International is the purchaser of canned pineapples, juice and mixed tropical fruits, and pineapple concentrate supplied by the Group for distribution in the European, African and Middle Eastern markets. It has a long-term supply agreement with the Group. See "Business of the Group — International Markets" above for details of the DMI Supply Agreement. In the three years ended 31st December, 1996, 1997 and 1998, sales made under the DMI Supply Agreement accounted for 15.5 per cent., 19.2 per cent. and 26.3 per cent., respectively, of the Group's total international sales of processed food products.

Pursuant to an addendum to the long-term supply agreement between Del Monte USA and the Group, dated 29th March, 1996, (details of which are contained in the section under "Business of the Group — International Market — Supply Contracts"), DMGL was made a party to the supply agreement and Del Monte USA agreed to waive its rights to specified volumes of canned pineapple and pineapple concentrate for the duration of the supply agreement in favour of DMGL or its nominee.

Del Monte International supplies certain canned deciduous fruit products to the Group for distribution and sale in the Philippines through MAIC, a wholly-owned subsidiary of Macondray. Such supply arrangement is on an order-by-order basis and is not covered by a specific supply agreement. Since 1997, the Group has been purchasing products of Del Monte International for distribution in the Philippines through MAIC at a profit margin of not less than 5 per cent. The profit margin generated on such distribution is comparable to that generated under a similar arrangement with a third party.

Del Monte Italia S.p.A., an indirect wholly-owned subsidiary of Del Monte Royal Foods, supplies the Group with cherry halves for some of its canned mixed fruit products. Such supply arrangement is also on an order-by-order basis and is not covered by a specific supply agreement. The Group's purchases of cherry halves are subject to bidding from Del Monte Italia S.p.A. and another third party supplier. Purchases are made from the supplier which provides the lowest quotation.

DelHold procures, on a group global basis, the insurance coverage of the Group against certain industrial risks, general product liability, fidelity, fraud and related risks, and other liability cover together for its group of companies to maximise economies of scale and optimise premium savings. It then charges the Group a pro rata share of the aggregate premium, based on turnover, value of assets and geographical location. Various deductions apply to the programme. It is expected that the arrangements will be continued after the listing of the Shares on the Stock Exchange.

Forsythia Limited, an indirect wholly-owned subsidiary of Del Monte Royal Foods, has granted to DMPRL the exclusive and perpetual right and sub-licence to use the Del Monte trademarks in certain territories in the Indian subcontinent in consideration of the payment of US\$10 million, of which DMPRL has made a US\$1 million payment, with the balance of US\$9 million payable over a 10-year period. The US\$10 million consideration was based on the sales projections of the parties for certain territories in the Indian subcontinent. Further information on the trademarks is contained in the section on "Business of the Group — Intellectual Property".

The value of the sales, purchases and other transactions between the Group and Del Monte Royal Foods and its related companies for the three years ended 31st December, 1998 are as follows:

	Year ended 31st December,		
	1996 (US\$'000)	1997 (US\$'000)	1998 (US\$'000)
Sales to Del Monte Corporation (affiliated company in 1st quarter 1996)	12,232	—	—
Sales to Del Monte International	16,932	22,471	26,218
Purchases from Del Monte International	—	4,326	3,039
Initial payment to Forsythia Limited	1,000	—	—
Interest income from Forsythia Limited	—	—	280

Macondray and its related companies

MAIC serves as the exclusive Philippine distributor of certain imported Del Monte canned deciduous fruit and vegetable products obtained by the Group from Del Monte USA and Del Monte International for distribution in the Philippines. These imported products are mostly sold at duty-free shops in the Philippines. The Group generates a net profit of not less than 5 per cent. in respect of those products it procures for distribution by MAIC.

MAIC also from time to time supplies the Group with sugar and cattle and Macondray Industries, Inc., an indirect wholly-owned subsidiary of Macondray, supplies the Group with fertiliser and certain chemical products. Such supply arrangements are on an order-by-order basis and subject to bidding against other third party interested suppliers. Purchases are made on the basis of the lowest quotation given. Under the terms of the shareholders agreement between DMGL, Juliet and MCI in relation to their shareholdings in DMPRL (which was terminated upon the coming into effect of the Pooling Agreement), first priority was given to those shareholders in the supply of goods and services on an arm's length basis at matching prices to those paid by the Group.

Macondray Insurance Brokers Corporation ("MIBC"), an indirect wholly-owned subsidiary of Macondray, serves as insurance broker for DMPI's local insurance requirements.

The value of the sales and purchases between the Group and Macondray and its related companies for the three years ended 31st December, 1998 are as follows:

	Year ended 31st December,		
	1996 (US\$'000)	1997 (US\$'000)	1998 (US\$'000)
Sales to Macondray Group	—	9,087	1,184
Purchases from Macondray Group	856	2,258	1,295

Conflicts of Interests

Del Monte International, an indirect wholly-owned subsidiary of Del Monte Royal Foods, sources part of its requirement for fruit products and beverages from the Group pursuant to the DMI Supply Agreement, under which the Group supplies its products to Del Monte International for distribution in the European, African and Middle Eastern markets. In the three years ended 31st December, 1996, 1997 and 1998, sales made under the DMI Supply Agreement accounted for 15.5 per cent., 19.2 per cent., and 26.3 per cent., respectively, of the Group's total international sales of processed food products.

Del Monte Royal Foods, through Del Monte Kenya, an indirect wholly-owned subsidiary, operates a pineapple plantation of approximately 9,700 hectares and a processing operation in Kenya which it uses to source part of its requirement for processed pineapple products.

On 17th May, 1999, it was announced that Del Monte Royal Foods had acquired a major interest in SAICO, which operates a pineapple plantation and processing facility in Thailand. Certain of the Directors of the Company, including Mr. V.S. Imerman, the Joint Managing Director of the Company, Mr. P.S.

Danowa and Mr. J. Fragis are also directors of SAICO and of Del Monte Kenya. Whilst Del Monte Royal Foods currently sources only a small part of its requirement for processed pineapple products from SAICO, recent press reports have indicated that it intends to increase SAICO's production capacity for pineapple from 20,000 tonnes to approximately 250,000 tonnes in the medium term. In addition, Del Monte International has for some years ordered volumes of product in excess of its minimum purchase requirements under the DMI Supply Agreement. Each of SAICO and Del Monte Kenya represents a potential source of competition to the Group. Insofar as all or part of any increase in processed pineapple tonnages produced by SAICO or Del Monte Kenya are supplied to Del Monte Royal Foods (without an equivalent increase in the tonnages supplied by the Group) and/or Del Monte International restricts orders for processed pineapple products to the minimum required under the DMI Supply Agreement, this could affect demand for the Group's products and therefore the profits of the Group.

Del Monte Royal Foods has, however, indicated that it is not its intention that SAICO will acquire businesses or companies located outside of Thailand which compete with the business of the Group. Moreover, any acquisition of such businesses or companies within or outside Thailand would be subject to certain rights of first refusal in favour of the Company pursuant to the Non-Competition Deed, as described further in "Ownership Structure and Principal Shareholders — Non-Competition Deed".

Furthermore, the DMI Supply Agreement has been amended to provide (i) an option in favour of the CARI (which option must be exercised on or before 31st July, 2001) to postpone for up to three years from 29th March, 2006, the earliest date on which three years' written notice to terminate the DMI Supply Agreement may be given by either party and (ii) an obligation on the part of Del Monte International, following 60 days' notice thereof from the Company, to purchase a fair allocation (based on the Group's existing practices for allocating such surplus) of the surplus derived from the plantings of the Group over the Group's aggregate minimum supply obligations with its international customers.

In order to seek to mitigate the potential for conflicts of interest arising between Del Monte Royal Foods and/or Macondray with the business of the Group, the Company has entered into the Non-Competition Deed pursuant to which DMGL and Macondray have each agreed (subject to an exclusion for existing businesses and, in the case of DMGL, in the event the DMI Supply Agreement has terminated) for the period in which it is a direct or indirect 10 per cent. shareholder of the Company and for 18 months thereafter not to be interested in any undertaking which competes with the Group in certain countries in Asia.

In addition, pursuant to the Non-Competition Deed, each of DMGL and Macondray has agreed to offer the Company a right of first refusal over acquisition opportunities in respect of businesses or companies in certain countries in Asia which compete with the Group, subject to certain alternative arrangements where the relative value of the competing activity is small. The Company has agreed to offer DMGL a right of first refusal over acquisition opportunities in respect of businesses or companies which compete with DMGL in certain countries in Europe, the Middle East and Africa (the "DMG Territory"), subject to certain alternative arrangements where the relative value of the competing activity is small or where competition arises only as a result of the distribution of competing products in such territories. Furthermore, under the DMI Supply Agreement, the Group is obliged not to solicit, procure or accept orders from purchasers (other than Del Monte International) for the supply of products falling within the terms of such agreement in the DMG Territory — see further "Business of the Group — International Markets — Del Monte International".

Further details of such non-competition arrangements are set out in "Risk Factors — Relationship with and between Principal Shareholders", "Ownership Structure and Principal Shareholders — Non-Competition Deed" and "General and Statutory Information — Material Contracts".

Shareholders' Mandate for Future Related Party Transactions

The Company and its subsidiaries would, in the ordinary course of their respective businesses, enter into transactions ("Related Party Transactions"), including but not limited to the transactions described above, with Del Monte Royal Foods and its related companies and with Macondray and its related companies, which are considered "interested persons" as defined in Chapter 9A of the SES Listing Manual (the "Listing Manual").

It is likely that such Related Party Transactions will occur with a high degree of frequency and could arise at any time and from time to time.

Under Chapter 9A of the Listing Manual, the listed company may seek a shareholders' mandate for recurrent transactions of a revenue or trading nature or those necessary for the day-to-day operations such as supplies and materials, which may be carried out with the listed company's interested persons, but not for the purchase or sale of assets, undertakings or businesses.

Due to the time sensitive nature of commercial transactions, the Directors have sought and obtained approval from shareholders of the Company (other than Juliet, which abstained from voting in relation to the resolution approving the Related Party Transactions with Del Monte Royal Foods and its related companies, and MCI, which abstained from voting in relation to the resolution approving the Related Party Transactions with Macondray and its related companies) at a meeting of members held on 9th July, 1999 to approve the shareholders' mandate for the Company and its subsidiaries to enter into the following Related Party Transactions (the "Shareholders' Mandate"):

- (i) the sale of canned pineapples, juice and mixed tropical fruits, and pineapple concentrate to Del Monte International;
- (ii) the purchase of certain canned deciduous fruit and vegetable products from Del Monte International;
- (iii) the purchase of cherry halves from Del Monte Italia S.p.A.;
- (iv) the payment of amounts to Del Monte Royal Foods in relation to the participation by the Group in group insurance coverage arranged by Del Monte Royal Foods;
- (v) the distribution by MAIC of certain fruit and vegetable products obtained by the Group from Del Monte International;
- (vi) the payment of amounts to MIBC in relation to Philippine insurance coverage arranged by MIBC;
- (vii) the purchase of sugar and cattle from MAIC, and fertiliser and certain chemical products from Macondray Industries, Inc.; and
- (viii) the sale of 1,200 tons of fresh pineapple to Creative Ventures Limited, an affiliate of Macondray.

The Shareholders' Mandate will not cover a Related Party Transaction which has a value below the threshold and aggregation requirements contained in Chapter 9A of the Listing Manual.

Transactions which do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of the Listing Manual.

The Shareholders' Mandate takes effect from the date of the passing of the ordinary resolution at the meeting of members held on 9th July, 1999 until the next Annual General Meeting of the Company. Thereafter, approval from shareholders of the Company for a renewal of the Shareholders' Mandate will be sought at each subsequent Annual General Meeting of the Company.

Review Procedures for Related Party Transactions

To ensure that all Related Party Transactions are made on the Group's normal commercial terms and are not prejudicial to the interests of the Company's minority shareholders, the following procedures will be undertaken:

- (i) transactions (either individually or as part of a series) equal to or exceeding US\$1,000,000 in value but below 3 per cent. of the latest audited net tangible assets of the Company or S\$3 million (whichever is lower) will be subject to review and approval by the Directors. Such approval shall be given if the transactions are conducted in accordance with the Group's usual practices and policies, are on arm's length commercial terms and are consistent with similar types of transactions made by the Group with unrelated third parties; and
- (ii) transactions (either individually or as part of a series) equal to or exceeding 3 per cent. of the latest audited net tangible assets of the Company or S\$3 million (whichever is lower) in value but below 5 per cent. of the latest audited net tangible assets of the Company or S\$30 million (whichever is lower) will be reviewed by the Directors in accordance with the procedures set out in (i) above, and shall also be subject to the approval of two independent Directors who have no interest in the transactions. Such approval shall only be given if the transactions are conducted in accordance with the Group's usual practices and policies, are on arm's length commercial terms and are consistent with similar types of transactions made by the Group with unrelated third parties.

See further "Directors, Senior Management and Employees — Related Party Transactions" for details of the value of transactions entered into by the Group with Del Monte International and the Macondray Group for the three years ended 31st December, 1998.

Role of Audit Committee in Related Party Transactions

The Company has established an audit committee, the majority of which comprises independent Directors. All Related Party Transactions will be subject to regular periodic reviews by the audit committee of the Company. In addition, the Company is subject to relevant rules prescribed in the Listing Manual.

The internal control procedures of the Group described above are intended to ensure that the transactions between the Group and interested persons are conducted at arm's length and on commercial terms. Such internal controls include a regular and periodic review of all Related Party Transactions, which shall be summarised and submitted to the audit committee of the Company. Should such transactions exceed the thresholds set out in the Listing Manual, the stipulated requirements must be complied with.

The audit committee will approve the internal control procedures and arrangements for all future Related Party Transactions to ensure that they are carried out on arm's length commercial terms consistent with the Group's usual business practices and policies and will not be prejudicial to the Company's minority shareholders. Ratification of the records for all the Related Party Transactions to ensure that they comply with the internal control procedures will be carried out by the audit committee during its periodic review. The review includes the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the audit committee.

The Company will comply with the provisions of Chapter 9A of the Listing Manual in respect of all future Related Party Transactions and, if required under the Listing Manual, the Company will seek shareholders' approval for such transactions. If a member of the audit committee has an interest in a transaction, he will abstain from participating in the review and approval process in relation to that transaction.

DIRECTORS' REPORT

24th July, 1999

The Shareholders
Del Monte Pacific Limited
Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

Dear Sirs,

This report has been prepared for inclusion in the Prospectus and the Offering Memorandum each to be dated 24th July, 1999 in connection with the Invitation by Del Monte Pacific Limited (the "Company") in respect of 285,715,143 ordinary shares of US\$0.01 each in the capital of the Company (comprising 142,857,143 New Shares and 142,858,000 Existing Shares), by way of public offer and placement.

On behalf of the Directors of the Company, I report that, having made due inquiry in relation to the interval between 31st December, 1998, the date to which the pro forma consolidated accounts of the Company and its subsidiaries were made up, and the date hereof:

- (a) the business of the Company and its subsidiaries has, in the opinion of the Directors, been satisfactorily maintained;
- (b) save as disclosed in the Prospectus and the Offering Memorandum, no circumstances have in the opinion of the Directors arisen since the date of incorporation of the Company which would adversely affect the trading or the value of the assets of the Company or any of its subsidiaries;
- (c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in the Accountants' Report, there are no contingent liabilities by reason of any guarantees given by the Company or any of its subsidiaries; and
- (e) save as disclosed in the Prospectus and the Offering Memorandum, since the last pro forma consolidated accounts of the Company, there have been no changes in the published reserves or any unusual factors affecting the profits of the Company and its subsidiaries.

Yours faithfully,

For and on behalf of the
Board of Directors

Tony Chew Leong-Chee
Chairman of the Board

**LETTER FROM THE AUDITORS AND REPORTING ACCOUNTANTS IN RELATION TO THE
PRO FORMA CONSOLIDATED PROFIT FORECAST FOR THE YEAR ENDING
31ST DECEMBER, 1999**

24th July, 1999

The Board of Directors
Del Monte Pacific Limited
Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

Dear Sirs,

This letter has been prepared for inclusion in the Prospectus and the Offering Memorandum each to be dated 24th July, 1999 in connection with the Invitation by Del Monte Pacific Limited (the "Company") in respect of 285,715,143 ordinary shares of US\$0.01 each in the capital of the Company (comprising 142,857,143 New Shares and 142,858,000 Existing Shares), by way of public offer and placement.

We have examined the pro forma consolidated profit forecast of the Company and its subsidiaries (the "Group") for the year ending 31st December, 1999 set out on pages 81 and 82 of the Prospectus and the Offering Memorandum in accordance with the International Standard on Auditing applicable to the examination of prospective financial information. The Directors are solely responsible for the pro forma consolidated profit forecast including the bases and assumptions set out on pages 81 and 82 of the Prospectus and the Offering Memorandum, on which the forecast is based. The pro forma consolidated profit forecast includes results as shown in the unaudited pro forma consolidated financial statements of the Group for the four months ended 30th April, 1999.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the pro forma consolidated profit forecast. Further, in our opinion, the pro forma consolidated profit forecast, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies normally adopted by the Group, and is prepared in accordance with International Accounting Standards.

Yours faithfully,

Arthur Andersen
Certified Public Accountants
Singapore

**LETTER FROM THE AUDITORS AND REPORTING ACCOUNTANTS IN RELATION TO THE
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOUR
MONTHS ENDED 30TH APRIL, 1998 AND 1999**

24th July, 1999

The Board of Directors
Del Monte Pacific Limited
Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

Dear Sirs,

This letter has been prepared for inclusion in the Prospectus and the Offering Memorandum each to be dated 24th July, 1999 in connection with the Invitation by Del Monte Pacific Limited (the "Company") in respect of 285,715,143 ordinary shares of US\$0.01 each in the capital of the Company (comprising 142,857,143 New Shares and 142,858,000 Existing Shares), by way of public offer and placement.

We have reviewed the unaudited pro forma consolidated financial statements of the Company and its subsidiaries (the "Group") as at and for the four months ended 30th April, 1998 and 1999 set out on pages 96 and 97 of the Prospectus and the Offering Memorandum. These financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the unaudited pro forma consolidated financial statements set out on pages 96 and 97 of the Prospectus and the Offering Memorandum are not presented fairly in all material respects in accordance with International Accounting Standards.

Yours faithfully,

Arthur Andersen
Certified Public Accountants
Singapore

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THE FOUR MONTHS ENDED 30TH APRIL, 1998 AND 1999**

The pro forma consolidated financial statements of the Group as at and for the four months ended 30th April, 1998 and 1999 set out below have been prepared on the basis of the accounting policies consistent with those set out in the Accountants' Report appearing elsewhere in this Prospectus.

Pro Forma Results of Operations of the Group

	Four Months ended 30th April,	
	1998	1999
	(US\$'000)	(US\$'000)
Turnover	49,774	56,569
Cost of sales	<u>32,188</u>	<u>38,373</u>
Gross profit	17,586	18,196
Operating expenses		
Selling	3,058	2,678
General and administrative	<u>2,965</u>	<u>2,146</u>
Profit from operations	11,563	13,372
Other expenses, net	<u>3,437</u>	<u>2,569</u>
Profit before taxation	8,126	10,803
Taxation	<u>472</u>	<u>680</u>
Profit after taxation	<u><u>7,654</u></u>	<u><u>10,123</u></u>

Pro Forma Financial Position of the Group

	Four Months ended 30th April,	
	1998	1999
	(US\$'000)	(US\$'000)
Share capital and reserves		
Share capital	10,000	10,000
Reserves	<u>40,639</u>	<u>45,139</u>
	50,639	55,139
Fixed assets	25,607	30,409
Intangibles	11,527	10,730
Other assets	4,135	3,208
Current assets		
Inventories	47,336	47,003
Deferred growing crops	31,292	33,586
Accounts receivable, net	12,292	14,670
Due from affiliated companies — trade	4,124	3,297
Prepayments and other current assets	9,612	7,353
Cash and bank balances	<u>5,689</u>	<u>717</u>
	<u><u>110,345</u></u>	<u><u>106,626</u></u>

	Four Months ended	
	30th April,	
	1998	1999
	(US\$'000)	(US\$'000)
Current liabilities		
Accounts payable and accrued liabilities	39,415	45,298
Short-term borrowings	46,929	35,305
Due to an affiliated company — non-trade	65	262
Income tax payable	78	759
	<u>86,487</u>	<u>81,624</u>
Net current assets	23,858	25,002
Due to an affiliated company — non-trade	6,831	6,718
Deferred taxation	<u>7,657</u>	<u>7,492</u>
Net assets	<u>50,639</u>	<u>55,139</u>

ACCOUNTANTS' REPORT

24th July, 1999

The Board of Directors
Del Monte Pacific Limited
Craigmuir Chambers
PO Box 71
Road Town
Tortola
British Virgin Islands

Dear Sirs,

A. INTRODUCTION

This report has been prepared for inclusion in the Prospectus and the Offering Memorandum each to be dated 24th July, 1999 in connection with the Invitation in respect of 285,715,143 ordinary shares of US\$0.01 each (each a "Share") in the capital of Del Monte Pacific Limited (the "Company"), comprising 142,857,143 New Shares and 142,858,000 Existing Shares, payable in full on application, as follows:

1. 57,142,000 Offer Shares, comprising:
 - (i) 28,571,000 Offer Shares at S\$1.071 each by way of public offer;
 - (ii) 28,571,000 Offer Shares at US\$0.63 for each Share reserved for employees of Del Monte Pacific Limited and its subsidiaries (the "Pro Forma Group") and others whom the Company believes have contributed to the success of the Pro Forma Group (the "Reserved Shares"); and
2. 228,573,143 Placement Shares at US\$0.63 each by way of placement.

B. THE COMPANY

Del Monte Pacific Limited (the "Company") was incorporated in the British Virgin Islands on 27th May, 1999 as a limited liability company. The principal activity of the Company is to act as the holding company of the other companies in the Pro Forma Group.

Details of the restructuring exercise of the Company and its subsidiaries (the "Restructuring Exercise") are set out in the Prospectus, the Offering Memorandum and in Section L below.

C. THE PRO FORMA GROUP

At the date of this report, the Company had the following subsidiaries (referred to collectively with the Company as the "Pro Forma Group"):

<u>Name</u>	<u>Place and Date of Incorporation</u>	<u>Issued and Paid-up Capital</u>	<u>% held by the Pro Forma Group</u>	<u>Principal Activities</u>
Held by the Company				
Del Monte Pacific Resources Limited ("DMPRL")	British Virgin Islands 21st December, 1990	US\$10,000	100	Investment holding
GTL Limited (formerly known as Prestige Avenue Pte. Ltd.) ("GTLL")	Federal Territory of Labuan, Malaysia 9th March, 1998	US\$1	100	Intended activity is trading of food products sold under the Del Monte brand

<u>Name</u>	<u>Place and Date of Incorporation</u>	<u>Issued and Paid-up Capital</u>	<u>% held by the Pro Forma Group</u>	<u>Principal Activities</u>
Ceanothus Enterprise Pte. Ltd. ("CEPL")	Singapore 29th April, 1999	S\$2	100	Intended activities are to provide administrative support and liaison services to the Pro Forma Group
Held by DMPRL				
Central American Resources Inc. ("CARI")	Panama 16th December, 1971	US\$26,000	100	Investment holding and trading of food products sold under the Del Monte brand
Held by CARI				
Del Monte Philippines, Inc. ("DMPI")	The Philippines 11th January, 1926	₱1,500m	100	Growing, processing and distribution of Del Monte products and other food products
Dewey Limited ("Dewey")	Bermuda 13th December, 1990	US\$12,000	100	Holding the Del Monte trademark in the Philippines
Pacific Brands Philippines, Inc. ("PBPI")	State of Delaware, USA 1st July, 1935	US\$30,000	100	Dormant
Hordaland Company Limited ("Hordaland")	Hong Kong 22nd September, 1989	HK\$1,000	100	Dormant

No audit has been performed for the Company, GTLL and CEPL as they were only incorporated on 27th May, 1999, 9th March, 1998 and 29th April, 1999 respectively, and/or the respective countries' legislation do not require statutory audits to be performed. GTLL was a shelf company acquired by the Company on 9th July, 1999, and prior to such date had not carried out any activities.

Our associate firm in the Philippines has acted as auditors for DMPI for the period under review (that is, 1st January, 1996 to 31st December, 1998).

Our associate firm in Hong Kong has acted as auditors for DMPRL and Hordaland since the period beginning 1st July, 1996. Prior to 1st July, 1996, DMPRL and Hordaland were audited by another firm of public accountants, Fisher Hoffman Sithole and Pannell Kerr Forster, respectively, for the period 1st July, 1995 to 30th June, 1996.

No statutory audit is required for CARI, Dewey and PBPI under their respective countries' legislation. These financial statements were reviewed for the purpose of giving an opinion on the consolidated financial statements of DMPRL, by our associate firm in Hong Kong with effect from 1st July, 1996.

PBPI has a branch in the Philippines. Our associate firm in the Philippines has acted as auditors of the branch for the period under review. The audit of the Philippine Branch was limited to the audit of the branch accounts maintained in the Philippine Branch. The auditors' reports of the Philippine Branch for the years ended 30th June, 1996, 31st December, 1997 and 31st December, 1998, and for the six months ended 31st December, 1996 have been qualified on the basis that the auditors had not audited the records of the head office and were unable to determine whether the financial statements of the branch reflect a complete accounting of its operations and financial position. The Philippine Branch closed down its production facilities in August 1996 and remained dormant thereafter. The consolidated financial statements of DMPRL for the years ended 31st December, 1996, 1997 and 1998 were not qualified on this matter, on the grounds that PBPI (both head office and branch) was dormant from August 1996 onwards.

The accounting year end of the companies in the Pro Forma Group was changed from 30th June to 31st December in 1996. For the purpose of this Invitation, consolidated financial statements of DMPRL were audited for the year ended 31st December, 1996 to provide comparative figures for the Pro Forma Group similar to those for 1997 and 1998.

The consolidated financial statements of DMPRL for the year ended 31st December, 1996 were qualified as the financial statements did not contain comparative figures as at and for the year ended 31st December, 1995, and cash flow statement for the year ended 31st December, 1996, which are required to be presented under International Accounting Standards. The directors of the Company are of the opinion that the comparative figures and cash flow statement are not required and would involve expense or delay out of proportion to the value to the shareholders of the Company, since the audit for the year ended 31st December, 1996 was performed for the purpose of presenting full year results and balance sheet position as at 31st December, 1996 for the purpose of the Invitation.

Other than the above, the auditors' reports on the financial statements of the subsidiaries for the years ended 31st December, 1996, 1997 and 1998 were unqualified.

D. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The financial information set out in this report has been prepared on the basis that the Pro Forma Group structure had been in place throughout the periods covered by this report.

The financial information has been prepared in accordance with the accounting policies of the Pro Forma Group set out in Section K of this report and is based on the audited financial statements of the subsidiaries in the Pro Forma Group for the period from 1st January, 1996 to 31st December, 1998.

In arriving at the Pro Forma Group financial information, we have made such adjustments as we considered necessary in order to present the financial statements on a consistent and comparable basis, including notional adjustments to reflect the investments and share capital of the Company, as if the Pro Forma Group had existed from 1st January, 1996.

E. STATEMENTS OF PRO FORMA GROUP RESULTS

The results of the Pro Forma Group are set out below:

	Note	Year ended 31st December,		
		1996	1997	1998
		(US\$'000)	(US\$'000)	(US\$'000)
		Pro Forma	Pro Forma	Pro Forma
Turnover	1	<u>203,524</u>	<u>211,463</u>	<u>185,588</u>
Profit before taxation	2	20,711	31,999	40,216
Taxation	3	<u>(1,534)</u>	<u>(3,590)</u>	<u>(4,962)</u>
Profit after taxation, being attributable to shareholders of the Company		<u>19,177</u>	<u>28,409</u>	<u>35,254</u>
Dividends		<u>1,107</u>	<u>10,000</u>	<u>15,000</u>
Earnings per Share ¹ (US cents)		<u>1.92</u>	<u>2.84</u>	<u>3.53</u>

¹ Earnings per Share is computed based on pre-Invitation number of shares of 1,000,000,000.

F. NOTES TO THE STATEMENTS OF PRO FORMA GROUP RESULTS

- Turnover represents the gross invoiced sales, net of discounts and returns, and is recognised when goods are delivered and title has passed to customers. Intra-group transactions have been excluded from Pro Forma Group turnover.

During the periods under review, the Pro Forma Group had the following significant related party transactions, on terms agreed to by the respective parties:

	<u>Year ended 31st December,</u>		
	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(US\$'000)	(US\$'000)	(US\$'000)
	Pro Forma	Pro Forma	Pro Forma
Turnover			
Sales to affiliated companies	28,981	30,687	27,402
Other income			
Interest income from an affiliated company	—	—	280
Costs			
Purchases from affiliated companies	856	6,584	4,334

During the financial year ended 31st December, 1996, DMPRL entered into a sub-licence agreement with an affiliated company to acquire the exclusive right to use the licensed trademarks in certain countries of the world or in connection with the production, manufacture, sale and distribution of food products and with the right to grant sub-licences to others, as disclosed in Section L, Note 5 to this report.

- Profit before taxation has been determined after charging (crediting) the following:

	<u>Year ended 31st December,</u>		
	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(US\$'000)	(US\$'000)	(US\$'000)
	Pro Forma	Pro Forma	Pro Forma
Amortisation of intangible assets	113	113	113
Bad trade debts written off	198	3	—
Depreciation of fixed assets	2,933	3,285	2,957
Exchange loss (gain), net	(248)	(3,532)	287
Fixed assets written off	233	31	60
Gain on disposal of fixed assets	(231)	(230)	(100)
Interest expense on short-term borrowings			
— bills payable	3,027	3,365	4,407
— trust receipts	455	528	162
— factoring	2,352	4,393	2,626
Interest income from bank deposits	(261)	(342)	(241)
Interest income from an affiliated company	—	—	(280)
Provision for doubtful trade debts	—	290	365
Provision for inventory losses	1,160	908	1,497
Research and development expenses	560	2,906	516
Retirement plan expense	1,535	1,307	984
Retrenchment expense	1,865	5,668	1,313
Inventory written-off	841	864	575
Write-back of provision for inventory losses	—	(304)	(548)

3. Income tax comprises:

Income tax has been calculated on the estimated assessable profit for the year at the rates prevailing in the respective jurisdictions. Details of provision for income tax are as follows:

	<u>Year ended 31st December,</u>		
	<u>1996</u>	<u>1997</u>	<u>1998</u>
	(US\$'000)	(US\$'000)	(US\$'000)
	Pro Forma	Pro Forma	Pro Forma
Current tax expense	1,774	2,727	4,955
Deferred tax (credit) expense	<u>(240)</u>	<u>863</u>	<u>7</u>
	<u>1,534</u>	<u>3,590</u>	<u>4,962</u>

The effective income tax rates for each of the years ended 31st December, 1996, 1997 and 1998 were 7.4 per cent., 11.2 per cent. and 12.3 per cent. respectively. The reconciliation between taxation and profit before taxation multiplied by the applicable tax rate for the year ended 31st December, 1998 is as follows:

	<u>Year ended 31st December, 1998</u>
	(US\$'000)
	Pro Forma
Profit before taxation	<u>40,216</u>
Taxation on profit at the weighted average of the applicable tax rates of 27.86%	5,690
Tax effect of change in tax rate	(446)
Tax effect of interest income that was not taxable	(59)
Translation adjustment	(257)
Other	<u>34</u>
Taxation	<u>4,962</u>

The weighted average tax rate of 27.86 per cent. has been calculated using the tax rates applicable in the jurisdictions where the companies in the Pro Forma Group operate. The major jurisdiction in which the Pro Forma Group operates is the Philippines where the tax rate for 1998 is 34 per cent. (1997: 35 per cent.; 1996: 35 per cent.). The other companies in the Pro Forma Group operate in jurisdictions where they are not subject to tax due to the nature and structure of their operations. The difference between the effective income tax rate for 1996, 1997 and 1998 is primarily attributable to difference in the mix of income attributable to each jurisdiction.

G. STATEMENT OF ADJUSTMENTS

The financial information as set out in this report has been consolidated based on the audited financial statements of the companies in the Pro Forma Group as if the Group was already in existence on 1st January, 1996.

Based on the Restructuring Exercise, the Group, except for the Company, was in fact formed with effect from the financial year ended 31st December, 1996. The Company's principal activity is to act as the holding company of other companies in the Pro Forma Group. No income or expense is presumed to be earned or incurred by the Company had it been in existence since 1st January, 1996. Therefore, there is no difference between the profit and loss for the years ended 31st December, 1996, 1997 and 1998 according to the consolidated audited financial statements of DMPRL and its subsidiaries, and the profit and loss for the same periods for the consolidated financial statements of the Pro Forma Group.

H. SUMMARISED PRO FORMA GROUP BALANCE SHEETS

The summarised balance sheets of the Pro Forma Group as at 31st December, 1996, 1997 and 1998, as set out below have been prepared based on the audited financial statements and on the basis that the Pro Forma Group structure had been in place since 1st January, 1996.

	As at 31st December,		
	1996	1997	1998
	(US\$'000)	(US\$'000)	(US\$'000)
	Pro Forma	Pro Forma	Pro Forma
Share capital	10,000	10,000	10,000
Reserves	43,590	31,941	52,898
Pro Forma shareholders' equity	53,590	41,941	62,898
Represented by:			
Fixed assets	34,701	24,192	29,400
Intangible assets	11,436	11,564	11,546
Other assets	4,376	4,328	3,810
Current assets	97,212	90,759	98,102
Current liabilities	(77,812)	(75,085)	(66,038)
Net current assets	19,400	15,674	32,064
Less:			
Non-current liabilities			
Due to an affiliated company — non trade	(6,590)	(6,831)	(6,718)
Deferred taxation	(9,733)	(6,986)	(7,204)
	53,590	41,941	62,898

I. MOVEMENTS IN PRO FORMA SHAREHOLDERS' EQUITY

The movements in shareholders' equity of the Pro Forma Group for each of the three years ended 31st December, 1996, 1997 and 1998 are as follows:

	Year ended 31st December,		
	1996	1997	1998
	(US\$'000)	(US\$'000)	(US\$'000)
	Pro Forma	Pro Forma	Pro Forma
Balance brought forward	78,731	53,590	41,941
Add/(deduct):			
— Notional share capital issued to acquire subsidiary	10,000	—	—
— Share premium on notional share capital issued to acquire subsidiary	139	—	—
— Profit attributable to the Pro Forma Group	19,177	28,409	35,254
— Cash dividends to preference shares	(1,107)	—	—
— Preference shares redemption	(7,792)	—	—
— Ordinary shares redemption	(119,220)	—	—
— Re-issuance of ordinary shares	85,000	—	—
— Merger reserve	(10,129)	—	—
— Currency realignment	(1,209)	(30,058)	703
— Dividends	—	(10,000)	(15,000)
	53,590	41,941	62,898

From 26th March, 1995 to 29th March, 1996, CARI had outstanding 780,000 redeemable non-voting preference shares which were owned by its former shareholders, Kikkoman Corporation (702,000 shares) and Del Monte Foods Corporation (“DMC”) (78,000 shares). The redeemable non-voting preference shares paid dividends annually based on a 360-day year on the last day of January, at a rate of 14.0 per cent. per annum. Cash dividends of US\$1,107,000 were declared and paid for the year ended 31st December, 1996 to the non-voting preference shareholders.

Up to 29th March, 1996, DMPRL’s ordinary shares were owned by DMC (50.1 per cent.), Juliet (34.9 per cent.) and Kikkoman Corporation (15.0 per cent.). On 29th March, 1996, DMPRL repurchased all its ordinary shares (651,000 shares) and all the preference shares (780,000 shares) of CARI, owned by DMC and Kikkoman, for cash of US\$127,020,000. The premium paid over the par value of the shares was charged to the retained earnings. DMPRL then reissued 500,001 ordinary shares to MCI, Inc. for cash of US\$85 million and issued 150,999 ordinary shares to Del Monte Group Limited. The amount received in excess of the par value of ordinary shares was also credited to retained earnings.

J. STATEMENT OF NET ASSETS

The statement of net assets of the Pro Forma Group and Company as at 31st December, 1998 are set out below with the notes thereon, set out in Section L.

	<u>Note</u>	<u>Pro Forma Group</u> (US\$'000)	<u>Pro Forma Company</u> (US\$'000)
Share capital	1	10,000	10,000
Reserves	2	<u>52,898</u>	<u>139</u>
Pro Forma shareholders' equity		<u>62,898</u>	<u>10,139</u>
Represented by:			
Fixed assets	3	29,400	—
Investments in subsidiaries	4	—	10,139
Intangible assets	5	11,546	—
Other assets	6	3,810	—
Current assets			
Inventories	7	36,171	—
Deferred growing crops		32,088	—
Accounts receivable	8	17,253	—
Due from affiliated companies — trade		4,978	—
Prepayments and other receivables	9	5,926	—
Cash and bank balances		<u>1,686</u>	<u>—</u>
		98,102	—
Current liabilities			
Accounts payable		5,868	—
Accrued liabilities		29,872	—
Short term borrowings, unsecured		25,667	—
Due to an affiliated company — non trade	10	49	—
Income tax payable		<u>4,582</u>	<u>—</u>
		66,038	—
Net current assets		32,064	—
Less:			
Non-current liabilities			
Due to an affiliated company — non trade	10	(6,718)	—
Deferred taxation	11	<u>(7,204)</u>	<u>—</u>
		<u>62,898</u>	<u>10,139</u>

K. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied in the preparation of the Pro Forma Group and Company financial information:

Basis of accounting

The financial statements, expressed in United States dollars (“US dollars”), have been prepared in accordance with International Accounting Standards (“IAS”).

Basis of consolidation

The Pro Forma Group consolidated financial statements include the pro forma financial statements of the Company and all its subsidiaries made up to the end of each financial year. Significant intra-group transactions and balances have been eliminated on consolidation.

The formation of the Pro Forma Group has been accounted for as a reorganisation of companies under common control using merger accounting. The pro forma consolidated financial statements, therefore, reflect the combined financial statements of all companies that formed part of the Pro Forma Group as if they were a consolidated group for all periods presented. The assets and liabilities of DMPRL and its subsidiaries contributed to DMPL have been reflected at predecessor cost in these pro forma consolidated financial statements.

In translating the financial statements of foreign subsidiaries in the preparation of the consolidated financial statements of the Pro Forma Group, all the assets and liabilities of those subsidiaries with reporting currencies other than US dollars are translated into US dollars at the rates of exchange in effect at the balance sheet date, and all their income and expense items are translated into US dollars at the average exchange rates during the year. Share capital is translated at the historical rate. The resulting cumulative translation differences are dealt with as movements in reserves.

Income recognition

Income from sale of goods is recognised when goods are delivered and title has passed to customers.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the cost of each asset over its expected useful life. The expected useful lives of fixed assets are as follows:

Land improvements	15 years
Buildings and leasehold improvements	10 – 45 years
Machinery and equipment	5 – 15 years
Dairy and breeding herd	5 – 8 years

Leasehold improvements are depreciated over their expected useful lives or, where shorter, the terms of the lease.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the profit and loss account.

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs (plus borrowing costs which include interest charges and exchange differences attributable to borrowings used to finance these projects during the construction period).

No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into operational use.

Subsidiaries

A company is a subsidiary company if more than 50 per cent. of the issued voting capital is held long-term, directly or indirectly. Investments in subsidiaries are stated in the financial statements of the Company at cost. Provision is made where there is a decline in value that is other than temporary.

Affiliated companies

An affiliated company is defined as a company, not being a subsidiary or an associated company, in which the shareholders and/or directors of the Company have an equity interest or exercise significant influence.

Intangibles

Intangibles relate to trademarks which are stated at acquisition cost or net present value of future cash payments of the acquisition cost and are amortised on a straight-line basis over the expected future economic life of 40 years. These trademarks give the Pro Forma Group the exclusive perpetual right to use the trademarks in the specified countries. It is expected that a significant amount of revenue will be generated from the use of these trademarks for at least 40 years.

Research and development costs

Research and development costs are written off as incurred.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is based on first-in, first-out and weighted average method. It comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Operating leases

Leases where substantially all the rewards and risks of ownership remain with the leasing company are accounted for as operating leases. Rental payments under operating leases are charged to the profit and loss account over the period of the relevant leases.

Deferred taxation

Deferred taxation is provided under the balance sheet liability method in respect of significant temporary differences arising from differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised.

Foreign currency transactions and balances

The accounting records of the companies in the Pro Forma Group are maintained in their respective reporting currencies.

Transactions in foreign currencies other than the reporting currencies during the year are translated at the exchange rates in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies other than the reporting currencies are translated at rates of exchange in effect at the balance sheet date. Exchange differences are dealt through the profit and loss account.

Forward exchange contracts are entered into as a hedge against foreign currency exposures. These contracts limit the Pro Forma Group's exposure to both favourable and unfavourable currency fluctuations.

Gains and losses on foreign currency forward contracts, including contracts which relate to net monetary assets and liabilities are taken to the profit and loss account in the year in which the currency fluctuation occurs. The discount or premium on forward contracts is taken to the profit and loss account.

Deferred growing crops

Expenditures on growing crops are deferred and taken to the inventory account based on harvests made during the lifetime of the crops and matched against revenue in the period of sale.

Financial instruments

As of 31st December, 1998, the Pro Forma Group's financial instruments mainly consisted of cash, cash investments and short-term borrowings. The carrying amounts of the Pro Forma Group's cash and cash investments approximate their fair values because of the short maturity of those instruments. The carrying amounts of the short-term borrowings approximate their fair values based on borrowing rates currently available for short-term borrowings with similar terms and maturity.

Retirement plan

The subsidiary DMPI accrues pension cost on its non-contributory retirement plan covering substantially all its officers and regular full-time employees. The plan provides for retirement benefits based on a percentage of latest monthly salary and credited years of service and is funded using the attained aged actuarial cost method taking into account the factors of investment, mortality, disability and salary projection rates. DMPI also has a contributory provident plan covering participating employees.

L. NOTES TO THE STATEMENT OF NET ASSETS

1. Share capital

	<u>Pro Forma</u> (US\$'000)
Authorised 2,000,000,000 ordinary shares of US\$0.01 each	<u>20,000</u>
Issued and fully paid 1,000,000,000 ordinary shares of US\$0.01 each	<u>10,000</u>

The Company was incorporated on 27th May, 1999 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each (subsequently altered to US\$20,000,000 divided into 2,000,000,000 ordinary shares of US\$0.01 each). Pursuant to the Restructuring Exercise which was completed on 9th July, 1999 as detailed under “Restructuring Exercise” in the Prospectus, the Company acquired all the shares of DMPRL from the then existing shareholders of DMRPL for a consideration of US\$10,139,000 based on the net asset value of DMPRL as at 30th April, 1999 after accounting for the effect of a dividend of US\$45 million paid on 25th June, 1999. The consideration was satisfied by the issue of 1,000,000,000 ordinary shares of US\$0.01 each at US\$0.0101 each. On 9th July, 1999, CARI acquired at par 21 shares in the share capital of DMPI from Del Monte Group Limited, so as to make DMPI an indirect wholly-owned subsidiary of the Company.

At a meeting of the Board of Directors held on 9th July, 1999, the Board of Directors approved, *inter alia*, the following:

- (a) the adoption of a new set of Memorandum and Articles of Association, which included an increase in the authorised share capital of the Company to US\$20,000,000 divided into 2,000,000,000 ordinary shares of US\$0.01 each;
- (b) the issue of 1,000,000,000 new ordinary shares of US\$0.01 each pursuant to the share exchange agreement, details of which are set out in this Prospectus under “Restructuring Exercise”; and
- (c) the issue of the New Shares which are the subject of the Invitation. The New Shares will when allotted, issued and fully paid-up, rank *pari passu* in all respects with the existing ordinary shares of the Company and amongst themselves.

2. Reserves

Company

	<u>Pro Forma</u> (US\$'000)
Share premium	<u>139</u>

Pro Forma Group

	<u>Paid-in capital</u>	<u>Retained earnings</u>	<u>Cumulative translation difference</u>	<u>Total</u>
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
As at 1st January, 1998	9,990	62,943	(40,992)	31,941
Translation difference	—	—	703	703
Profit after taxation	—	35,254	—	35,254
Dividends	—	(15,000)	—	(15,000)
	<u>9,990</u>	<u>83,197</u>	<u>(40,289)</u>	<u>52,898</u>

3. Fixed assets

Pro Forma Group

	<u>Land improvements</u>	<u>Buildings and leasehold improvements</u>	<u>Machinery and equipment</u>	<u>Dairy and breeding herd</u>	<u>Construction- in-progress</u>	<u>Total</u>
	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)	(US\$'000)
Cost						
As at 1st January, 1998	651	6,662	48,279	599	1,715	57,906
Additions	1,137	1,031	4,192	140	1,568	8,068
Disposals	—	(41)	(1,002)	(35)	—	(1,078)
Translation difference	19	204	1,378	6	43	1,650
	<u>1,807</u>	<u>7,856</u>	<u>52,847</u>	<u>710</u>	<u>3,326</u>	<u>66,546</u>
Accumulated depreciation						
As at 1st January, 1998	413	3,404	29,683	214	—	33,714
Charge for the year	45	257	2,567	88	—	2,957
Disposals	—	(26)	(517)	(27)	—	(570)
Translation difference	13	110	915	7	—	1,045
	<u>471</u>	<u>3,745</u>	<u>32,648</u>	<u>282</u>	<u>—</u>	<u>37,146</u>
Net book value						
As at 31st December, 1998	<u>1,336</u>	<u>4,111</u>	<u>20,199</u>	<u>428</u>	<u>3,326</u>	<u>29,400</u>

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs (plus borrowing costs which include interest charges and exchange differences attributable to borrowings used to finance these projects during the construction period). Interest cost capitalised for the year ended 31st December, 1998 amounted to approximately US\$239,000, at interest rates of approximately 8.6 per cent. to 15.1 per cent. per annum. There was no exchange gain or loss capitalised for the year ended 31st December, 1998.

4. Investments in subsidiaries

Investments in subsidiaries comprise the following:

	<u>Country of incorporation</u>	<u>Percentage of equity held by the Pro Forma Group</u> (%)	<u>Cost of investment by the Company</u> (US\$'000)
Held by the Company			
Del Monte Pacific Resources Limited	British Virgin Islands	100	10,139
Held by DMPRL			
Central American Resources, Inc.	Panama	100	—
Held by CARI			
Del Monte Philippines, Inc.	Philippines	100	—
Dewey Limited	Bermuda	100	—
Pacific Brands Philippines, Inc.	USA	100	—
Hordaland Company Limited	Hong Kong	100	—

5. Intangibles

In November 1996, DMPRL entered into a sub-license agreement with an affiliated company to acquire the exclusive right to use the licensed trademarks in certain countries of the world, in connection with the production, manufacture, sale and distribution of food products and with the right to grant sub-licences to others.

Under the terms of the agreement, the total consideration of US\$10 million would be payable by DMPRL to the affiliated company for the right to use the trademarks. The first sum of US\$1 million was paid during 1996 and the remaining US\$9 million is payable by annual instalments. Each installment will be equal to 40 per cent. of "Net Income" which is determined on the basis specified in the agreement but the balance of the US\$9 million has to be paid in any event no later than 30th November, 2006. The licensed trademarks were recorded at the net present value of the estimated future cash payments to be made as at 31st December, 1996. In addition, the amortised interest expense has been capitalised as the licensed trademarks would not be used until the year 2000. In arriving at the net present value of the future cash payments, a discount rate which approximates the cost of funds to DMPRL has been used.

Intangible assets also included trademarks of approximately US\$4,525,000, which have been amortised over 40 years since 1990.

These trademarks give the Pro Forma Group the exclusive perpetual right to use the trademarks in the specified countries. It is expected that a significant amount of revenue will be generated from the use of these trademarks for at least 40 years.

	Pro Forma Group
	(US\$'000)
Cost	12,451
Less accumulated amortisation	<u>(905)</u>
	<u><u>11,546</u></u>
Movement in accumulated amortisation during the financial year was as follows:	
At beginning of year	792
Amortisation during the year	<u>113</u>
At end of year	<u><u>905</u></u>
6. Other assets	
	Pro Forma Group
	(US\$'000)
Tax refund receivable	1,741
Purchase and utility deposits	1,112
Advances to growers	302
Others	<u>655</u>
	<u><u>3,810</u></u>
7. Inventory	
	Pro Forma Group
	(US\$'000)
Raw materials and packaging supplies	22,118
Finished goods and livestock	<u>15,871</u>
	37,989
Less provision for obsolescence	<u>(1,818)</u>
	<u><u>36,171</u></u>
Movement in provision for stock obsolescence during the financial year was as follows:	
At beginning of year	840
Provision for the year	1,497
Write-back of provision	(548)
Translation difference	<u>29</u>
At end of year	<u><u>1,818</u></u>

8. Accounts receivable

	Pro Forma Group
	(US\$'000)
Accounts receivable	17,874
Less provision for doubtful debts	<u>(621)</u>
	<u>17,253</u>

Movement in provision for doubtful debts during the financial year was as follows:

At beginning of year	250
Provision for the year	365
Translation difference	<u>6</u>
At end of year	<u>621</u>

9. Prepayments and other receivables

	Pro Forma Group
	(US\$'000)
Prepayments	3,716
Other receivables	<u>2,210</u>
	<u>5,926</u>

10. Due to an affiliated company — non-trade

Balances due to affiliated companies are unsecured, non-interest bearing and have no fixed repayment terms.

11. Deferred taxation

The tax impact of temporary difference between the basis of assets and liabilities for financial reporting and taxation purposes that gives rise to deferred tax assets or liabilities are analysed as follows:

	Pro Forma Group
	(US\$'000)
Deferred tax assets	
— Reserves	786
Deferred tax liabilities	
— Deferrals of ranch overhead	(5,626)
— Accelerated depreciation allowance	(2,271)
— Others	<u>(93)</u>
	<u>(7,204)</u>

12. Retirement plan

DMPI has a non-contributory retirement plan covering substantially all of its officers and regular full-time employees. The benefits are based on a percentage of latest monthly salary and credited years of service. Total pension contributions charged to the consolidated profit and loss account amounted to about ₱40 million (approximately US\$987,000) for the year ended 31st December, 1998.

As at 1st January, 1998, the latest actuarial valuation using projected valuation method, indicated the actuarial present value of pension benefits amounted to about ₱700.6 million (approximately US\$17.5 million). The fair value of the plan assets amounted to ₱747.8 million (approximately US\$18.6 million). The principal assumptions used to determine pension benefits were a salary increase of 12 per cent. per annum and a return on plan assets of 14 per cent. per annum. DMPI's annual contribution to the pension plan consists of payments covering the current service cost for the year plus payments towards funding the actuarial accrued liability, if any.

The retirement and provident funds are administered and accounted for separately.

13. Contingencies

- a. In compliance with the Philippines Comprehensive Agrarian Reform Law ("CARL") under Executive Order No. 229 and Republic Act No. 6657, a substantial portion of the land previously leased in the Philippines by DMPI from the National Development Company ("NDC") was submitted for land distribution to the Department of Agrarian Reform ("DAR") and subsequently awarded to beneficiaries who formed a cooperative.

On 21st February, 1989, DMPI and the beneficiaries' cooperative entered into a lease agreement on the said land at a certain fee for a period of 25 years starting 1st March, 1989. DMPI used the land and paid rentals based on the lease agreement pending formal ratification of such agreement by DAR. On 11th January, 1991, DAR ratified the amendment in the existing lease agreement, which reduced the lease period to 10 years and increased the annual fee effective from 12th December, 1988. On 11th January, 1997, DMPI and the beneficiaries' cooperative entered into a new lease agreement extending the lease period for another 25 years starting 11th January, 1999.

The remaining land leased from NDC devoted to non-agricultural activities is not submitted for land distribution and continues to be rented based on DMPI's agreement with NDC.

Privately-owned lands are covered by existing lease agreements which are continually being renewed. For certain private lands that exceeded the allowable retention limits, the law requires compulsory acquisition and distribution to qualified beneficiaries. The continuation of these lease agreements is dependent on the terms and conditions to be agreed upon by the parties involved.

The Company has accrued the estimated amount of production and profit share that the Company believes is in full compliance with the implementing guidelines of the law.

Total commitments of the Company in respect of the CARL are included in the amounts disclosed in Note 14.

- b. The Pro Forma Group is contingently liable in respect to lawsuits, tax assessments and certain matters arising out of the normal course of business. Management believes that the resolution of these contingencies will not have a material effect on the results of operations or the financial condition of the Pro Forma Group.
- c. As at 31st December, 1998, the Pro Forma Group had outstanding letters of credit amounting to approximately US\$4.8 million.

14. Commitments

a. Operating lease commitments

Based on existing lease agreements, the future minimum rental commitments as at 31st December, 1998 for all non-cancellable long-term leases of real property, equipment and grower agreements (including the estimated rental on lands previously owned by the NDC and submitted for land distribution in compliance with the CARL) are as follows:

	Pro Forma Group
	(US\$'000)
Year	
1999	4,997
2000	3,629
2001	2,955
2002	2,175
2003	1,482
2004 and thereafter (up to 2024)	<u>36,972</u>
	<u><u>52,210</u></u>

Included in the above were commitments denominated in Pesos of ₱1,740 million.

The Pro Forma Group is also contingently liable for production bonus subject to compliance with certain conditions as specified in the land lease agreements.

b. Foreign exchange contracts

As at 31st December, 1998, there were foreign exchange contracts outstanding to sell Japanese Yen 384 million at various rates amounting to approximately US\$3 million. These contracts were entered into to hedge against currency fluctuations for certain outstanding receivables.

15. Subsequent events

- A. At a meeting of the Board of Directors held on 9th July, 1999, the Board of Directors approved, *inter alia*, the following:
- (a) the adoption of a new set of Memorandum and Articles of Association, which included an increase in the authorised share capital of the Company to US\$20,000,000 divided into 2,000,000,000 ordinary shares of US\$0.01 each;
 - (b) the issue of 1,000,000,000 new ordinary shares of US\$0.01 each pursuant to the share exchange agreement, details of which are set out in this Prospectus under “Restructuring Exercise”; and
 - (c) the issue of the New Shares which are the subject of the Invitation. The New Shares will, when allotted, issued and fully paid-up, rank *pari passu* in all respects with the existing ordinary shares of the Company and amongst themselves.
- B. On 9th July, 1999, the Company acquired a 100 per cent. interest in GTL Limited (formerly known as Prestige Avenue Pte. Ltd.) (“GTLL”), incorporated in the Federal Territory of Labuan, Malaysia and Ceanothus Enterprise Pte. Ltd. (“CEPL”), incorporated in Singapore, from initial subscribers for US\$1 and S\$2, respectively.

- C. On 22nd February, 1999, a cash dividend of US\$20 million was paid by DMPRL to its shareholders. On 25th June, 1999, a further cash dividend of US\$45 million was paid by DMPRL to its then existing shareholders, Juliet Holdings S.A., MCI, Inc. and Del Monte Group Limited. The cash dividend of US\$45 million was declared out of DMPRL's paid-in capital account of US\$9.99 million and the balance of US\$35.01 million from DMPRL's distributable reserves.

M. NET TANGIBLE ASSET BACKING OF THE PRO FORMA GROUP

The net tangible asset backing of the Pro Forma Group for each ordinary share of US\$0.01 each is based on the statement of net assets of the Pro Forma Group as at 31st December, 1998 after taking into account the effect of the dividend paid on 22nd February, 1999 of US\$20 million, the dividend of US\$45 million paid on 25th June, 1999 and the issue of 142,857,143 New Shares of US\$0.01 each, which forms the subject of the Invitation, and the proceeds and estimated expenses in connection therewith.

	<u>(US\$'000)</u>
Net tangible asset value	
Net tangible assets as at 31st December, 1998	51,352
Less: Dividends of US\$65 million	(65,000)
Proceeds from the issue of 142,857,143 New Shares of US\$0.01 each at US\$0.63 per Share which forms the subject of this Invitation	90,000
Less: Estimated expenses of the Invitation payable by the Company	<u>(4,147)</u>
	<u><u>72,205</u></u>
	<u>No. of shares</u>
	(<u>'000</u>)
Issued share capital	
Issued and fully paid ordinary shares of US\$0.01 each pursuant to the Restructuring Exercise	<u><u>1,000,000</u></u>
New Shares to be issued pursuant to the Invitation	142,857
Post-Invitation issued share capital	<u>1,142,857</u>
Net tangible asset backing per US\$0.01 share	<u><u>6.32 US cents</u></u>

N. DIVIDENDS

DMPRL proposed and paid cash dividends of US\$10 million and US\$15 million in respect of the financial years ended 31st December, 1997 and 1998, respectively. No dividends were declared or paid by DMPRL for the year ended 31st December, 1996. On 22nd February, 1999, a cash dividend of US\$20 million was paid.

On 25th June, 1999, a further cash dividend of US\$45 million was paid by DMPRL to its existing shareholders, Juliet Holdings S.A., MCI, Inc. and Del Monte Group Limited. The cash dividend of US\$45 million was declared out of DMPRL's paid-in capital account of US\$9.99 million and the balance of US\$35.01 million from DMPRL's distributable reserves.

For the year ended 31st December, 1998, DMPI issued stock dividends in the amount of ₱450 million divided into 4.5 million fully-paid common shares with a par value of ₱100 per share, and ₱500 million divided into 5 million fully-paid and non-assessable redeemable preferred shares with a par value of ₱100 per share.

CARI proposed and paid cash dividends of US\$10 million and US\$15 million in respect of the financial years ended 31st December, 1997 and 1998, respectively. For the year ended 31st December, 1996, CARI paid cash dividends on redeemable preference shares in the amount of US\$1,107,000. On 22nd February, 1999, a cash dividend of US\$20 million was paid. On 25th June, 1999, a cash dividend of US\$35.01 million was paid.

Dewey declared and paid a cash dividend of US\$2,874,655 in respect of the financial year ended 31st December, 1998. On 10th February, 1999, a further cash dividend of US\$6,009,333 was paid.

No other dividends have been paid or proposed by the Company or any of its subsidiaries for the periods under review.

Dividends from DMPI will be declared based on profits as reported in the statutory financial statements denominated in Philippine Pesos. Such profit will be different from the amounts reported under IAS. As at 31st December, 1998, DMPI had retained earnings of ₱545,629,000 (equivalent to US\$13,941,000 translated at the prevailing exchange rate as at the year end) reported in the statutory financial statements. Retained earnings as reported under IAS were US\$53,720,000.

O. AUDITED ACCOUNTS

No audited financial statements have been prepared for the Company and its subsidiaries for any period subsequent to 31st December, 1998.

Yours faithfully,
Arthur Andersen
Certified Public Accountants
Singapore

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, age, country of principal residence, residential address and position of each of the Directors and Executive Officers of the Group are set out under “Directors, Senior Management and Employees”.

2. Information on the business and working experience of the Directors is set out below:

Tony Chew Leong-Chee, Chairman, is currently Executive Chairman of the Singapore-based Asia Resource Corporation Pte Limited which has business interests in the Philippines, Singapore, Malaysia, Indonesia, Hong Kong, the People’s Republic of China, Vietnam and Myanmar. He serves on the boards of many regional companies including Macondray Holdings Corporation, Macondray & Co, Inc., Eurolife Limited, KFC-Vietnam, Dohler Asia Pte Ltd and RHB-Cathay Securities Pte Ltd. Mr Chew is well known as an entrepreneur specialising in emerging economies. In Singapore, he plays an active role in regional business, as a member of the Singapore Trade Development Board and the Vietnam-Singapore Commission for Cooperation and is Chairman of the Vietnam Business Club. Mr. Chew trained as an agronomist in Malaysia.

Luis P. Lorenzo, Jr., Vice-Chairman, is Chairman of Macondray & Co., Inc., Macondray Holdings Corporation, and DMPI, and concurrently Chairman and Chief Executive Officer of Lapanday Holdings Corporation. He also serves on the Board of Advisers of Philippines, Inc., Philippine President Estrada’s economic development think tank. Mr. Lorenzo obtained his Master of Business Administration in International Business from the Wharton School, University of Pennsylvania and his Bachelor of Science degree in Business Management (with Honours) from the Ateneo de Manila University.

Vivian S. Imerman, Vice-Chairman and Joint Managing Director, is Chairman and Chief Executive Officer of Del Monte Royal Foods and DelCorp, and Deputy Chairman of DelHold, all of which are listed on the Johannesburg Stock Exchange. Mr. Imerman joined the DelHold group in 1975 and was appointed a director in 1976.

Martin P. Lorenzo, Joint Managing Director, is Vice-Chairman of the Board and Chairman of the Management Committee of DMPI. He is also Chairman of St. Tropez Holdings Corporation and Vice Chairman of Macondray and a director of, among others, Lapanday Holdings Corporation, Macondray Holdings Corporation and Pioneer Ventures, Inc. He graduated from the Ateneo de Manila University with a Bachelor of Science degree in Management Engineering and obtained his Master of Business Administration from the Wharton School, University of Pennsylvania.

Paul S. Danowa, Director, is President and Chief Operating Officer of Del Monte Royal Foods. He was also Chief Executive Officer of DMPI from 1996 to 1998. Except in 1991, Mr. Danowa has been continuously employed since 1961 with various Del Monte companies and with the RJ Reynolds Group (the previous parent company of Del Monte USA) in such countries as the United States, Italy, Belgium, Switzerland, Greece and Monte Carlo. Mr. Danowa’s executive assignments covered operations and general management, administration, finance, treasury and corporate planning and development. He has a Master of Business Administration and a Bachelor of Science degree from the University of California at Berkeley.

Jacques Fragis, Director, is Group Finance Director of DelHold, DelCorp and Del Monte Royal Foods. Mr. Fragis joined the DelHold group in 1986 and was appointed to the board of DelHold in that year. He has a Master of Business Administration degree from the University of the Witwatersrand and is a fellow of the Chartered Institute of Management Accountants and an Associate Member of the Institute of Chartered Secretaries and Administrators.

Hymie R. Levin, Director, is Senior Partner of HR Levin Attorneys. Mr. Levin is a non-executive director of a number of companies, most of which are listed on the Johannesburg Stock Exchange. He is also chairman of several companies. Mr. Levin has a Bachelor’s degree in Commerce, and Bachelor’s and Master’s degrees in law from the University of the Witwatersrand.

Vicente S. Pérez, Jr., Director, is currently Managing Director and co-founder of Next Century Partners, a private equity investment firm which invested in Macondray in April 1998 on behalf of Fidelity Capital Far East, Philippine Discovery Investment Co. and Soros Private Equity Partners. He has extensive experience in capital markets and private equity in emerging countries for the past 13 years. Previous positions held by him are General Partner of Lazard Frères & Co., LLC and head of its emerging markets team in New York, Managing Director of Lazard Asia in Singapore, Director of Lazard Brothers Trading Limited in London, and International Banking Officer at Mellon Bank, N.A. in Pittsburgh, USA. Mr. Pérez serves on the boards of Macondray and a number of investment holding and family-owned companies. He has a Bachelor of Science degree in Business Economics from the University of the Philippines and a Master of Business Administration from the Wharton School, University of Pennsylvania.

Wong Fong Fui, Director, is currently Group Managing Director of Boustead Singapore Limited, Chairman and Director of Aca Equipment Pte Ltd. and associated companies and a Director of Mayfield Property Development Pte Ltd. He has previously been a Director of Myanmar Airways International Co. Ltd. and QAF Limited. Mr. Wong graduated from the University of New South Wales, Australia in 1968 with a Bachelor's degree in Engineering.

Richard W. Blossom, Independent Director, is currently Chief Executive Officer of Dohler Asia Pte Ltd in Singapore, and a member of the Dohler Group Management Board in Germany. He also serves on the Board of Delifrance Asia Limited. He has extensive experience in branded consumer products marketing, distribution and logistics. He has worked in Asia for the last 13 years. Previous positions held by him in Asia are President of Pepsi-Cola Asia Pacific, President of PepsiCo Foods Asia Pacific, President of Revlon Asia Pacific and Chief Executive Officer of EAC Consumer Products. Mr. Blossom graduated from Colgate University and received a Master of Business Administration from New York University.

Sydney Michael Hwang, Independent Director, is a Senior Counsel of the Supreme Court of Singapore and practises as a litigation lawyer and arbitrator. He was appointed a Judicial Commissioner of the Supreme Court for 19 months before returning as the head of the Litigation Department at Allen & Gledhill in 1993. He is a Senate Member of the Singapore Academy of Law. Mr. Hwang serves on the boards of a number of public and private companies, is a director of PSA Corporation Ltd, and the Chairman of Singapore Dance Theatre Limited. He received his legal education (undergraduate and post-graduate) at Oxford University.

3. Information on the business and working experience of the Executive Officers of the Group is set out below:

James L. Elder, President of DMPI since June 1998, was employed by Del Monte companies between 1968 and 1996 in managerial capacities in its North American, European and African operations. He was Managing Director of Del Monte Kenya immediately prior to his assignment to DMPI in 1996. He has a Bachelor of Science degree in Agriculture from Oregon State University.

Timothy L. Chu, Senior Vice President and Chief Financial Officer of DMPI since January 1998. Prior to this, he was Vice President and General Manager for the Asia-Pacific Region of Del Monte Fresh Produce. He joined Del Monte USA in 1978 and has held various positions in Auditing, General Accounting, Human Resources and Treasury at Del Monte USA's Corporate Headquarters, RJR Nabisco and Del Monte Fresh Produce before accepting an overseas assignment in 1996. Mr. Chu holds a Bachelor of Science degree in Accounting from California University, Hayward, California.

Alejandro T. Castillo, Senior Vice President and Managing Director, Philippine Market of DMPI, has been with DMPI since 1982 and is responsible for its domestic marketing business. He was previously connected with Procter & Gamble Philippines, Inc., Pepsi-Cola Bottling Company of the Philippines, Inc. and Warner Lambert Philippines, Inc. where he held executive positions in market development, brand management, bottling operations, sales and divisional management. He is an AB Economics graduate (with honours) of the Ateneo de Manila University and completed the Senior Executive Programme at Stanford University's Graduate School of Business.

James C. Barger, Vice President, Cannery Operations of DMPI since February 1995. His background includes diverse operations positions in both Del Monte USA and Del Monte companies worldwide. Those assignments include six years at DMPI during the 1980s and International Director of Quality Assurance and Vice President of Manufacturing at Del Monte Mexico. Other responsibilities have included the reengineering of the Mexican and Central American Del Monte operations and key participation in and management of Del Monte USA's total quality system. Mr. Barger graduated with a Bachelor of Science in Business from the University of California at Santa Clara.

Marco P. Lorenzo, Vice President, Plantation Operations of DMPI since June 1998. He was Director of Plantation Operations for DMPI from June 1996 to June 1998, and he previously worked with DMPI as Manager for Pineapple Cultural Operations and Harvest for three years. Prior to rejoining DMPI, he was General Manager of the Lapanday group of companies, comprising 11 banana plantations in Davao, from 1989 to 1996. Mr. Lorenzo graduated from the Ateneo de Manila University with an AB degree in Inter-disciplinary Studies. He also has a Bachelor of Science degree in Agriculture Management from the University of California at Davies.

Jaime W. Ong, Vice President, Corporate Human Resources and Corporate Affairs of DMPI since February 1998. He joined DMPI in 1963 as an hourly-paid plantation worker and subsequently rose from the ranks and held several executive positions prior to his current appointment. These executive positions include nine years as Corporate Treasurer and Director of Corporate Services, two years as Corporate Controller, seven years as Group Manager for Corporate Purchasing, Packaging and Shipping and seven years as Manager, Systems and Data Processing Department. Mr. Ong holds a Bachelor's degree in Accounting from Xavier University and a Bachelor's degree and a Master of Business Administration from the University of the East.

Antonio C. Ongpin, Vice President, International Marketing of DMPI/CEPL, has been with the Del Monte organisation since 1978 and is currently responsible for International Marketing to the Far East and the Indian subcontinent. He is also responsible for pineapple concentrate exports to the United States, canned pineapple and concentrate exports to Canada, fresh fruit exports to Japan and the Far East and provides sales and marketing assistance to Kikkoman Trading Singapore and Kikkoman's Del Monte division in Japan. His sales and marketing experience in Asia also includes the management of Del Monte licensing arrangements and the establishment of joint ventures and toll packing arrangements. Mr. Ongpin has a Bachelor of Arts (Major in Industrial Psychology) degree from the Ateneo de Manila University and holds a Masters degree in Marketing and a Minor in Finance from the Asian Institute of Management.

Domingo R. Capistrano, Vice President, Corporate Controller of DMPI, has been with DMPI since 1974 and is responsible for corporate planning and financial accounting. Prior to this, he has held senior management positions in Financial Planning and Analysis, and Banking and Insurance, and served as the Regional Financial Manager of International Nabisco Brands Management Limited (Singapore). Mr. Capistrano is a certified public accountant and obtained his accounting degree from the Polytechnic University of the Philippines.

4. The list of present and past directorships of each Director over the last five years (excluding those held in the Company) is set out below:

	List of other current directorships	List of past directorships
	Name of company	Name of company
Tony Chew Leong-Chee	Alliance Resource Corporation Asia Resources Corporation Pte. Limited Central American Resources, Inc. Cycle & Carriage Golden Star Co. Limited Del Monte Pacific Resources Limited Dohler Asia Pte Ltd Eurolife Limited International Beverages Trading Co. Limited Juno Pacific Pte. Limited KFC-Vietnam Company Macondray & Co., Inc. Macondray Company Limited Macondray Corporation Pte. Limited MCI, Inc. Myanmar Corp. Pte. Limited Myanmar Development International Co. Limited Operational Development Pte. Limited Opdev Investments Limited Pontirep Investments Limited Pontirep Investments Pte. Limited Pontirep Realty Pte. Limited Representations International (HK) Limited Representations International Pte. Limited Resources Pacific Holdings Pte. Limited Singapore Trade Development Board Vet-Thai Plastic Company	Hangzhou Hua Feng Paper Mill Limited International Beverages Company Macondray Packaging Corporation Pte. Limited Myanmar Airways International Limited Yearsley, Inc.
Luis P. Lorenzo, Jr.	Cadeco-Agro Development Corporation Del Monte Pacific Resources Limited Del Monte Philippines, Inc. Delta Farms, Inc. Evergreen Farms, Inc. Farmingtown Agro Developers, Inc. GMA Lorenzo, Inc. Guihing Agricultural and Development Corp. L&M Maxco Lapanday Agricultural & Development Corp. Lapanday Foods Corporation Lapanday Holdings Corporation Lorenzo Foundation Macondray & Co., Inc. Macondray & Co., Properties Limited (Singapore) Macondray Fibreboard Corporation Macondray Finance Corporation Macondray Holdings Corporation Macondray Packaging Corporation Malalag Ventures, Inc. Mondragon International Philippines, Inc. Pacific Cement Company, Inc. Paretti Development Corp. Pepsi Cola Products Philippines, Inc. Pioneer Ventures, Inc. Silik Foundation Sterling Tobacco Corporation Surfield Development Corporation Telemondial Holdings Corporation	Macondray Distribution Company, Inc.

	List of other current directorships	List of past directorships
	Name of company	Name of company
Vivian S. Imerman	Amalgamated Fisheries Co (Pty) Limited Betterton Limited Central American Resources, Inc. Confruit S.p.A. De L'Ora Beverages Limited Del Monte CIS Holdings (IOM) Limited Del Monte Foods (UK) Limited Del Monte Foods Europe Limited Del Monte Foods International Limited Del Monte Foods Northern Europe Limited Del Monte International, Inc. Del Monte Italia S.p.A. ⁽¹⁾ Del Monte Kenya Holdings, Inc. Del Monte Kenya Limited Del Monte Pacific Resources Limited Del Monte Philippines, Inc. Del Monte Royal Corporation Limited Del Monte Royal Foods Limited Del Monte Royal Holdings Limited Del Monte Russia Limited Dewey Limited Donald Cook's (Pty) Limited Lazio S.p.A. Nabisco South Africa (Proprietary) Limited One Cal Limited Oos Vrystaat Vrugte (Pty) Limited Premier Pineries (Pty) Limited Royserv (Pty) Limited SAPCO Holdings Limited Societa Sportiva Lazio S.p.A. South African Preserving Company (Pty) Limited The Just Juice Company Limited The Siam Agro-Industry Pineapple and Others Public Co., Ltd. Utopia Asparagus (Pty) Limited Visam Analytics (Pty) Limited Visam Chemical Corporation (Pty) Limited	Del Monte Deutschland GmbH Del Monte Foods Pensions (UK) Limited Del Monte Italia S.p.A. DMF Italia Holdings S.r.l. Hellenic Food Industries S.A. Rooihoogte Suid Farm (Pty) Limited Zanthus Investments (Pty) Limited

	List of other current directorships	List of past directorships
	Name of company	Name of company
Martin P. Lorenzo	Cadeco-Agro Development Corporation Delta Farms, Inc. Evergreen Farms, Inc. Farmingtown Agro Developers, Inc. GMA Lorenzo, Inc. Guihing Agricultural and Development Corp. Lapanday Agricultural & Development Corp. Lapanday Foods Corporation Lapanday Holdings Corporation Lorenzo Foundation Macondray & Co., Inc. Macondray Agro-Industrial Corporation Macondray Carriers and Brokerage Corp. Macondray Fibreboard Corporation Macondray Finance Corporation Macondray Holdings Corporation Macondray Insurance Brokers Corp. Macondray Packaging Corporation Macondray Plastics, Inc. Malalag Ventures, Inc. MCI, Inc. MCI Resources Corporation Paretti Development Corp. Pioneer Ventures, Inc. Silik Foundation St. Tropez Holdings Corporation Surfild Development Corporation Telemondial Holdings Corporation	Macondray Distribution Company, Inc.
Paul S. Danowa	Africa Glass Industries Limited Central American Resources, Inc. Confruit S.p.A. ⁽²⁾ De L'Ora Beverages Limited ⁽²⁾ Del Monte Brands N.E.S.A. Del Monte Foods Europe Limited ⁽²⁾ Del Monte Foods Iberia, S.L. ⁽²⁾ Del Monte Foods International Limited Del Monte Foods Northern Europe Limited ⁽²⁾ Del Monte Foods Pensions (U.K.) Limited ⁽²⁾ Del Monte Foods (UK) Limited Del Monte International, Inc. Del Monte Italia S.p.A. Del Monte Kenya Holdings, Inc. ⁽²⁾ Del Monte Kenya Limited Del Monte Pacific Resources Limited Del Monte Philippines, Inc. Del Monte Royal Foods Limited Dewey Limited Hellenic Food Industries S.A. One Cal Limited ⁽²⁾ SAPCO Holdings Limited ⁽²⁾ The Just Juice Company Limited ⁽²⁾ The Siam Agro-Industry Pineapple and Others Public Co., Ltd.	Confruit S.p.A. ⁽²⁾ De L'Ora Beverages Limited ⁽²⁾ Del Monte Deutschland GmbH Del Monte Foods Europe Limited ⁽²⁾ Del Monte Foods Iberia, S.L. ⁽²⁾ Del Monte Foods Northern Europe Limited ⁽²⁾ Del Monte Foods Pensions (U.K.) Limited ⁽²⁾ Del Monte Kenya Holdings, Inc. ⁽²⁾ One Cal Limited ⁽²⁾ SAPCO Holdings Limited ⁽²⁾ The Just Juice Company Limited ⁽²⁾

	List of other current directorships	List of past directorships
	Name of company	Name of company
Jacques Fragis	Amalgamated Fisheries Co (Pty) Limited Central American Resources, Inc. Confruit S.p.A. De L'Ora Beverages Limited Del Monte Deutschland GmbH Del Monte Foods (UK) Limited Del Monte Foods Europe Limited Del Monte Foods Iberia, S.L. Del Monte Foods International Limited Del Monte Foods Northern Europe Limited Del Monte Foods Pensions (UK) Limited ⁽³⁾ Del Monte Group Limited Del Monte International, Inc. Del Monte Internationale S.A. Del Monte Italia S.P.A. Del Monte Kenya Holdings, Inc. Del Monte Kenya Limited Del Monte Pacific Resources Limited Del Monte Philippines, Inc. Del Monte Royal Corporation Limited Del Monte Royal Foods Limited Del Monte Royal Holdings Limited ⁽⁴⁾ Dewey Limited Donald Cook's (Pty) Limited Hellenic Food Industries S.A. Juliet Holdings S.A. Nabisco South Africa (Proprietary) Limited One Cal Limited Oos Vrystaat Vrugte (Pty) Limited Premier Pineries (Pty) Limited Royserv (Pty) Limited SAPCO Holdings Limited South African Preserving Company (Pty) Limited The Just Juice Company Limited The Siam Agro-Industry Pineapple and Other Public Co., Ltd. Utopia Asparagus (Pty) Limited Visam Analytics (Pty) Limited	Del Monte Foods Pensions (UK) Limited ⁽³⁾ Del Monte Royal Holdings Limited ⁽⁴⁾ DMF Italia Holdings S.r.l. Rooihoogte Suid Farm (Pty) Limited

	List of other current directorships	List of past directorships
	Name of company	Name of company
Hymie R. Levin	Abacus Technology Holdings Limited Access Leasing (Proprietary) Limited Access Trustees (Proprietary) Limited Advanced Technical Systems Limited Advsource Holdings Limited Advtech Education Holdings Limited Africa Glass Industries Limited Alliance Pharmaceuticals Limited Capital Alliance Holdings Limited Cedargro Holdings Limited Clinic Holdings Limited Del Monte Foods Europe Limited Del Monte Foods International Limited Del Monte Internationale S.A. Del Monte Royal Corporation Limited Del Monte Royal Foods Limited Del Monte Royal Holdings Limited Equinox Holdings Limited Forim Holdings Limited Network Healthcare Holdings Limited Oakwood Ventures (Proprietary) Limited Orthoworld P.L.C. Rosebank Finance (Proprietary) Limited Rosebank Holdings (Proprietary) Limited Rosebank Nominees (Proprietary) Limited Rosebank Securities (Proprietary) Limited Steers Holdings Limited	Buildmax Limited Concorde Travel Holdings Limited MSI Holdings Limited
Vicente S. Pérez, Jr.	AIESEC-Philippines Foundation, Inc. Centennial Food Service Holdings Ltd Chestnut Street Holdings Ltd Ironwill Fund Ltd Kadluan Management Corporation Macondray & Co., Inc. NCP PDF Investments Ltd Next Century Capital Pte Ltd Next Century Partners Ltd Philippine Income Fund, Inc. Philippines-France Business Council Philsin Marine Services, Inc. Spruce Street Holdings Ltd Stellar Fisheries, Inc. Vetyard Terminals & Shipping Services, Inc. Vital Holdings Corporation Vital Holdings Ltd WWF-Philippines	Blue Gold Holdings, Inc. Emerging Markets Traders Association Lazard Asia Ltd Lazard Frères & Co. LLC Lazard Vietnam Fund Ltd Stellar Foods, Inc. US-Philippines Business Committee Vietnam Children's Fund
Wong Fong Fui	Ace Equipment Pte. Limited Boustead Singapore Limited Mayfield Property Development Pte Limited	Myanmar International Airways Co. Limited OAF Limited
Richard W. Blossom	Delifrance Asia Limited Dohler Asia Pte Limited	Blackwell & Company Pte Limited EAC Consumer Products A/S EAC Logistics Hong Kong Limited EAC Marketing Services Hong Kong Limited EAC Marketing Services Hong Kong Sales Co. Limited EAC Marketing Services Taiwan Limited House of Teasdale Pte Limited Kims Asia Limited Leaf East Asia Pte Ltd. Santa Fe Logistics Limited Shanghai EAC Marketing Services Limited

	List of other current directorships	List of past directorships
	Name of company	Name of company
Sydney Michael Hwang ⁽⁵⁾	Eastern Development Pte Ltd Econ International Ltd Kang Ching Pte Ltd Memories of the East Pte Ltd PSA Corporation Ltd Singapore Dance Theatre Limited The Hour Glass Ltd The Straits Trading Company Limited The University of Chicago Graduate School of Business in Singapore, Ltd	—

Notes:

- (1) Mr. Vivian S. Imerman resigned from the board of Del Monte Italia S.p.A. in 1996 and was re-appointed to the board in 1998.
- (2) Mr. Paul S. Danowa resigned from the boards of Confruit S.p.A., De L'Ora Beverages Limited, Del Monte Foods Europe Limited, Del Monte Foods Iberia, S.L., Del Monte Foods Northern Europe Limited, Del Monte Foods Pensions (UK) Limited, Del Monte Kenya Holdings, Inc., One Cal Limited, SAPCO Holdings Limited and The Just Juice Company Limited in 1996 and was re-appointed to the respective boards in 1998.
- (3) Mr. Jacques Fragis resigned from, and was reappointed to, the board of Del Monte Foods Pensions (UK) Limited in 1998.
- (4) Mr. Jacques Fragis resigned from his position as an alternate director, and was reappointed as a director, of Del Monte Royal Holdings Limited in 1998.
- (5) The directorships of Mr. Sydney Michael Hwang for the past five years as set out above are to the best of his knowledge and belief, and exclude directorships held in companies for the purposes of their incorporation.

5. The list of present and past directorships of each Executive Officer over the last five years (excluding those held in the Company) is set out below:

	List of other current directorships	List of past directorships
	Name of company	Name of company
James L. Elder	—	Del Monte Kenya Limited
Timothy L. Chu	—	—
Alejandro T. Castillo	—	—
James C. Barger	—	—
Marco P. Lorenzo	—	—
Jaime W. Ong	B&W Ice and Cold Storage Corporation Cagayan de Oro Express Loan & Services, Inc. Konstruknet, Inc.	—
Antonio C. Ongpin	—	—
Domingo R. Capistrano	—	—

6. Save as disclosed below, no Director or Executive Officer is or was involved in any of the following events:

- (a) a petition under any bankruptcy laws filed in any jurisdiction against him or any partnership in which he was a partner or any corporation of which he was a director or an executive officer at the time of the filing of such petition;
- (b) a conviction of any offence, other than a traffic offence, or a judgement, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or any proceedings now pending which may lead to conviction or judgement;
- (c) a criminal investigation or proceeding pending against him; or

- (d) the subject of any order, judgement or ruling of any court, tribunal or government body permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

Mr. Luis P. Lorenzo, Jr. was named among the defendants in a civil case filed in 1998 by Madrigal Transport, Inc. (“Madrigal”) for damages allegedly suffered by Madrigal as a consequence of misrepresentations allegedly made by Mr. Lorenzo and Macondray which caused the failure of a joint venture between Lapanday and Madrigal. The defendants filed a motion to dismiss on the ground that the complaint failed to state a cause of action. In an Order dated 16th December, 1998, the Manila Regional Trial Court dismissed the case. Madrigal moved for the court’s reconsideration. To date, the motion for reconsideration is deemed submitted for the court’s resolution (Madrigal Transport, Inc. v. Lapanday Holdings Corporation, Macondray & Co., Inc., and Luis P. Lorenzo, Jr., Civil Case No. 98–87383, Regional Trial Court, Manila, Branch 36).

Mr. Luis P. Lorenzo, Jr. was named, in connection with the above civil case, defendant in a criminal complaint filed in 1998 by Madrigal for estafa (that is, misrepresentation). Upon exchange of affidavits and a clarificatory hearing, the Office of the City Prosecutor of Makati City, in its Resolution dated 6th July, 1998, dismissed the criminal complaint. Madrigal moved for a reconsideration. The motion was denied. The matter was elevated by Madrigal to the Philippine Department of Justice through a petition for review. To date, the petition is still pending resolution (Madrigal Transport, Inc. v. Luis P. Lorenzo, Jr., I. S. No. 98–B–7390 Office of the City Prosecutor, Department of Justice).

7. The aggregate remuneration paid or distributed to the then Directors for services rendered to the Group in the year ended 31st December, 1998 amounted to approximately US\$1.0 million. The aggregate remuneration payable to the Directors in the year ending 31st December, 1999 is estimated to amount to approximately US\$0.3 million.

8. There is no existing or proposed service contract between any of the Directors and the Company or any of its subsidiaries.

9. Save as disclosed under “Directors, Senior Management and Employees — Management”, the Directors and Executive Officers are unrelated by blood or marriage to one another nor are they so related to any substantial shareholders of the Company.

10. No option to subscribe for shares in, or debentures of, the Company or any of its subsidiaries has been granted to, or was exercised by, any Director or Executive Officer of the Company or any of its subsidiaries during the last financial year.

11. As disclosed on pages 84 and 85, Mr. Luis P. Lorenzo, Jr., Mr. Martin P. Lorenzo and Mr. Vicente S. Pérez, Jr. have interests in Macondray and its related companies. Pursuant to their interests in MCI through Macondray, they had an interest in DMPRL, which was acquired by the Company on 9th July, 1999 pursuant to the Restructuring Exercise (see “Restructuring Exercise”). In addition, the Group has entered into transactions with Macondray and its related companies, principally in respect of distribution, supply and insurance arrangements, further details of which are contained on page 89 of this Prospectus. As disclosed on pages 84 and 85 of this Prospectus, Mr. Vivian S. Imerman, Mr. Paul S. Danowa, Mr. Hymie R. Levin and Mr. Jacques Fragis have interests in, *inter alia*, companies in the Del Monte Royal Foods group of companies including Del Monte Royal Foods, which is the holding company of DMGL and Juliet, through which they had an interest in DMPRL. DMPRL was acquired by the Company on 9th July, 1999 pursuant to the Restructuring Exercise. The Group has also entered into transactions with Del Monte Royal Foods and its related companies, principally in respect of supply arrangements, further details of which are contained on pages 88 and 89 of this Prospectus. Save as disclosed in this Prospectus, no Director, Executive Officer or expert is interested, directly or indirectly, in the promotion of, or in any property or assets acquired or disposed of by or leased to, the Company or any of its subsidiaries, within the two years preceding the date of this Prospectus, or in any proposal for such acquisition, disposal or lease as aforesaid.

12. There is no shareholding qualification for Directors in the Articles of Association of the Company.

13. Save as disclosed under “Directors, Senior Management and Employees — Directors’ Interests”, none of the Directors has any interest, directly or indirectly, in any company carrying on a similar trade as the Company or any of its subsidiaries.

14. The interests of the Directors in the Shares as at the date of this Prospectus and as recorded in the Register of Directors’ Shareholdings maintained by the Company are as follows:

Directors	Number of Shares registered in the name of the Director	%	Number of Shares in which the Director has an indirect interest	%
Tony Chew Leong-Chee	—	—	—	—
Luis P. Lorenzo, Jr. ⁽¹⁾	—	—	500,001,000	50.0001
Vivian S. Imerman	—	—	—	—
Martin P. Lorenzo ⁽¹⁾	—	—	500,001,000	50.0001
Paul S. Danowa	—	—	—	—
Jacques Fragis	—	—	—	—
Hymie R. Levin	—	—	—	—
Vicente S. Pérez, Jr.	—	—	—	—
Wong Fong Fui	—	—	—	—
Richard W. Blossom	—	—	—	—
Sydney Michael Hwang	—	—	—	—

Note:

(1) Mr. Luis P. Lorenzo, Jr. and Mr. Martin P. Lorenzo each has an indirect interest in the 500,001,000 Shares held by MCI.

In addition, Messrs. Vivian S. Imerman and Martin P. Lorenzo will each be offered 7,936,507 Reserved Shares, Mr. Luis P. Lorenzo, Jr. will be offered 1,984,126 Reserved Shares, Mr. Paul S. Danowa will be offered 793,650 Reserved Shares and the other seven Directors will each be offered 396,825 Reserved Shares. The Directors may realise or transfer any part of their interests in their Reserved Shares.

The Directors may apply for Offer Shares in the Invitation. Any such application by a Director would be treated in the same manner as other applications for the Offer Shares.

Save as disclosed above, no Director has any interest in the Shares, including the New Shares, which are the subject of the Invitation.

15. Mr. Sydney Michael Hwang, who may receive remuneration from the Company in connection with his appointment as a Director, is a partner of Allen & Gledhill, the Solicitors to the Invitation. Mr. Hymie R. Levin, who may receive remuneration from the Company in connection with his appointment as a Director, is the senior partner of HR Levin Attorneys, legal advisers to the Company as to South African law.

16. No cash, shares or otherwise has been paid or agreed to be paid to any Director or any expert or to any firm in which a Director or an expert is a partner or corporation in which such Director or expert holds shares or debentures, in cash or in shares or otherwise, by any person (in the case of a Director) to induce him to become or to qualify him as a Director or otherwise for services rendered by him or by any such firm or corporation in connection with the promotion or formation of the Company or (in the case of an expert) for services rendered by him or any such firm or corporation in connection with the promotion or formation of the Company.

17. Save as disclosed under “Directors, Senior Management and Employees — Directors’ Interests”, no Director has any material interest in any existing contract or arrangement which is significant in relation to the business of the Group taken as a whole.

SHARE CAPITAL

18. As at the date of this Prospectus, there is only one class of shares in the capital of the Company. The rights and privileges attached to the Shares are stated in the Memorandum and Articles of the Company (certain provisions of which are summarised in Appendix II of this Prospectus). There are no founder, management or deferred shares.

19. Save as disclosed below, there were no changes in the issued and paid-up share capital of the Company or any of its subsidiaries within the two years preceding the date of this Prospectus:

<u>Company and date of issue</u>	<u>Number of shares issued</u>	<u>Par value</u>	<u>Consideration</u>	<u>Purpose</u>	<u>Resultant paid-up share capital</u>
<i>The Company</i>					
9th July, 1999	1,000,000,000	US\$0.01	Shares in DMPRL	Restructuring Exercise	US\$10 million
<i>Subsidiaries</i>					
<i>DMPI</i>					
12th May, 1998	4,500,000 common shares	₱100	—	Dividend	₱1 billion in common shares
20th August, 1998	5,000,000 preferred shares	₱100	—	Dividend	₱1 billion in common shares and ₱500 million in preferred shares

20. Save as disclosed above, no shares in, or debentures of, the Company or any of its subsidiaries have been issued or are proposed to be issued, as fully or partly paid-up, for cash or for a consideration other than cash, within the two years preceding the date of this Prospectus.

21. Save as disclosed under “Over-Allotment and Stabilisation”, no shares in, or debentures of, the Company or any of its subsidiaries are under option or agreed conditionally or unconditionally to be put under option. No person has been, or is entitled to be, given an option to subscribe for any shares in, or debentures of, the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS

22. The interests of the substantial shareholders in the Shares as at the date of this Prospectus are as follows:

<u>Name</u>	<u>Number of Shares registered in the name of the substantial shareholder</u>	<u>%</u>	<u>Number of Shares in which the substantial shareholder has an indirect interest</u>	<u>%</u>
MCI	500,001,000	50.0001	—	—
Juliet	499,999,000	49.9999	—	—
Macondray ⁽¹⁾	—	—	500,001,000	50.0001
DMGL ⁽¹⁾	—	—	499,999,000	49.9999

Note:

(1) Macondray and DMGL have an indirect interest in the 500,001,000 Shares and the 499,999,000 Shares, respectively, held by their respective wholly-owned subsidiaries, MCI and Juliet.

BANK BORROWINGS AND WORKING CAPITAL

23. Save as disclosed in the Accountants' Report and under "Analysis of Financial Condition and Results of Operations — Liquidity" and save in relation to borrowings used to finance the operations of the Group in the ordinary course of its business, as at 30th April, 1999, the Group had no other material borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

24. In the opinion of the Directors, there are no minimum amounts which must be raised by the issue of the New Shares in order to provide for the following items:

- (a) the purchase price of any property purchased or to be purchased;
- (b) preliminary and estimated issue expenses (including underwriting and placement commissions) for the Invitation payable by the Company;
- (c) the repayment of any money borrowed by the Company in respect of any of the foregoing matters; and
- (d) working capital.

25. Although no minimum amount must be raised by the Invitation in order to provide for the items set out in paragraph 24 above, the amount to be provided for those items is proposed to be provided out of proceeds of the Invitation and/or out of other sources of fundings including banking facilities.

26. The Directors are of the opinion that, after taking into account amounts available under existing banking facilities and the net proceeds from the issue of the New Shares, the Group will have adequate funds to meet its working capital and other commitments.

MATERIAL CONTRACTS

27. The following contracts, not being contracts entered into in the ordinary course of business of the Company and its subsidiaries, have been entered into by the Company or its subsidiaries within the two years preceding the date of this Prospectus and are or may be material:

- (a) The Trademark Licence Agreement dated 22nd December, 1997 (as amended) made between (1) Dewey and (2) Ventre Holdings B.V. ("Ventre") relating to the grant by Dewey to Ventre of the licence to use the Del Monte trademarks and secondary marks for processed food in the Philippines.
- (b) The License and Technical Assistance Agreement dated 22nd December, 1997 (as amended) made between (1) Ventre and (2) DMPI, relating, *inter alia*, to the grant by Ventre to DMPI of the licence to use the Del Monte trademarks and secondary marks for processed food in the Philippines.
- (c) The Technical Assistance Agreement dated 29th January, 1998 made between (1) Dewey and (2) Ventre relating to the delivery by Dewey to Ventre from time to time of improved licensed technology in the manufacture of food products.
- (d) The share exchange agreement referred to in paragraph 5 under "Restructuring Exercise".
- (e) The Non-Competition Deed as elaborated under "Directors, Senior Management and Employees" above.
- (f) The second addendum to the supply agreement dated 23rd July, 1999 between (1) CARI and (2) Del Monte International, Inc. as elaborated under "Risk Factors — Relationship with and between Principal Shareholders — Conflicts of Interest".
- (g) The Offer Agreement as elaborated below in paragraphs 29, 30, 32 and 35.
- (h) The Placement Agreement as elaborated below in paragraphs 29, 31, 34 and 35.

LITIGATION

28. Save as disclosed below, the Group is not engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

VAT Assessment and Deficiency Income Tax Claim Against DMPI

DMPI has a pending assessment from the BIR for deficiencies in its payment of VAT in the amount of ₱122.7 million for 1993 which was served in May 1996. The assessment was in respect of the import of raw materials used for the manufacture of export products into DMPI's customs bonded warehouse in Bugo. DMPI subsequently filed a protest contesting the assessment in view of an existing BIR ruling and current BIR revenue regulations and customs administrative orders that such imports of raw materials through a customs bonded warehouse for re-export are not subject to VAT. DMPI, which has been issued a certificate by the Bureau of Customs to the effect that it has no outstanding obligation in relation to the Bureau in respect of such raw material importation, did not make any provision for the assessment. BIR has not responded to the DMPI protest filed in June 1996.

Case for Damages and Application for Writ of Preliminary Attachment Against Trademarks of Dewey

Dewey is a co-defendant of Del Monte Corporation U.S.A. ("DMC") in a principal action for damages, amounting to ₱42 million plus costs, filed by Montebueno Marketing, Inc. *et al.* ("MMI") in a Philippine court (Regional Trial Court, Malabon, Metro Manila, Branch 73) on 3rd October, 1996. MMI was appointed by DMC as the exclusive Philippine distributor of certain DMC products starting in July 1994. The suit was filed as a result of, among other actions (mainly attributed to DMC), the ostensibly illegal termination by DMC of the exclusive distributorship agreement on 27th June, 1996 which MMI alleged was induced by Dewey. In order to satisfy any possible monetary award for damages being sought by MMI, the latter petitioned the Regional Trial Court for the issuance of a writ of preliminary attachment against Dewey's trademarks registered in the Philippines. The petition was granted by the Regional Trial Court but the terms of the writ issued were directed at properties owned by DMC in the Philippines and not Dewey.

Dewey subsequently filed a motion to dismiss its inclusion in MMI's suit on the grounds that a Philippine court cannot acquire jurisdiction over the person of Dewey which is a foreign corporation deemed not doing business in the Philippines (as defined by, among others, the Foreign Investments Act), and, hence, could not properly be served any court summons. In addition to the grounds of non-jurisdiction, Dewey contends that under standing jurisprudence and under the Revised Rules of Court, Dewey's trademarks are not property located within the Philippines and hence may not be subject to a writ of attachment. Dewey's trademarks, being intangible personal property, are merely registered in the Philippines and should be considered as located where its owner is domiciled, that is, Bermuda.

DMC, on the other hand, filed a motion to suspend proceedings based on the arbitration clause contained in the distributorship agreement. This motion was denied by the court, and the issue is now pending before the Supreme Court via a petition for certiorari filed by DMC.

MMI filed a supplemental complaint which includes, among others, a prayer for the issuance of a temporary restraining order and writ of preliminary injunction to enjoin the importation of DMC products into the Philippines to persons other than MMI.

Dewey's second motion to dismiss the complaint as supplemented on jurisdictional grounds was denied by the court.

DMC and Dewey have filed their respective answers and are awaiting the order of the trial court setting the case for pre-trial. However, proceedings are suspended in view of the pending nature of the petition for certiorari filed by DMC.

Based on the allegations in the complaint and the documents attached thereto, external counsel is of the opinion that there is no sufficient basis to show any unlawful interference in the contract between DMC and MMI. Moreover, external counsel is of the opinion that the position of DMC to settle the dispute

through arbitration instead of court litigation is legally tenable. Nonetheless, should the court rule otherwise, external counsel is of the further opinion that there is recourse to DMC on the basis of DMC's undertaking to bear the cost of the termination of the distributorship agreement with MMI.

OFFER AND PLACEMENT AGREEMENTS

29. Pursuant to the Offer Agreement, the Company, MCI and DMGL have appointed ABN AMRO Rothschild and DBS Bank as Joint-Lead Managers of the Offer. Pursuant to the Placement Agreement, the Company, MCI and DMGL have appointed ABN AMRO Rothschild as Global Coordinator and Bookrunner for the Invitation and Lead Manager of the Placement.

30. The Offer Managers have severally agreed to underwrite the Offer Shares for a commission of 1.375 per cent. of the aggregate Offer Price, payable by the Company and the Selling Shareholders pro rata to the proportion of New Shares to Existing Shares which are the subject of the Offer. The Offer Managers have agreed to subscribe and/or purchase, or procure subscribers and/or purchasers, for any Offer Shares not subscribed for and/or purchased by the public or employees of the Group and others whom the Company believes have contributed to the success of the Group.

31. Pursuant to the Placement Agreement, the Placement Managers have severally agreed to subscribe and/or purchase, or procure subscribers and/or purchasers, for the Placement Shares for a commission (including brokerage) of 2.375 per cent. of the total Placement Price, payable by the Company, MCI and DMGL pro rata to the proportion of New Shares to Existing Shares which are the subject of the Placement.

32. Brokerage will be paid by the Company, MCI and DMGL at the rate of 1.00 per cent. of the Offer Price for the Offer Shares. In respect of the Offer Shares, the brokerage will be paid to members of the Stock Exchange, merchant banks and members of the Association of Banks in Singapore at the rate of 1.00 per cent. of the Offer Price for each respective Offer Share in respect of successful applications made on Application Forms bearing their stamps, or to Participating Banks in respect of successful applications made by way of Electronic Applications at the ATMs of the Relevant Participating Banks.

33. Save as aforesaid, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of the Company or any of its subsidiaries.

34. The Placement Agreement may be terminated by the Global Coordinator at any time on or before commencement of trading of Shares on the SES on the occurrence of certain events including, *inter alia*:

- (a) any material adverse change, or development involving a prospective material adverse change, in condition (financial or otherwise) of the Company or the Group;
- (b) any change or any development involving a prospective change or any crisis in national or international monetary, financial, economic, legal, taxation or political conditions (including without limitation, conditions in the stock market, in the foreign exchange market, inter-bank market, money market and conditions with respect to interest rates in Singapore, Philippines or otherwise) or foreign exchange controls in Singapore, Philippines and overseas or any occurrence of a combination of any such changes or developments or crises, or any deterioration of any such conditions; or
- (c) any local, national or international occurrence, outbreak or escalation of hostilities whether war had been declared or not, or insurrection or armed conflict (whether or not involving financial markets),

which has resulted or is in the reasonable opinion of the Global Coordinator likely to result in, *inter alia*, the conditions in the stock market in Singapore and/or stock markets overseas being materially and adversely affected, or the success of the Invitation being prejudiced, or it becoming impracticable, inadvisable, inexpedient or not commercially viable for the Invitation to commence, be proceeded with or completed, or it becoming for any reason not commercially viable or otherwise contrary to or outside the usual commercial customs or practices in Singapore for the Global Coordinator to observe or perform or be obliged to observe or perform the terms of the Placement Agreement, or the business, trading position, operations or prospects of the Company or the Group being materially and adversely affected.

35. The Offer Agreement is conditional upon, *inter alia*, the Placement Agreement having become unconditional and the Placement Agreement is conditional upon the occurrence of certain events including, *inter alia*:

- (a) the Offer Agreement having become unconditional in all respects (other than in relation to the Placement Agreement becoming unconditional) and not having been terminated or rescinded pursuant to the provisions thereof; and
- (b) admission of the Shares to the Official List of the SES becoming effective not later than 9:00 a.m. on 2nd August, 1999 or such later time or date as the Company, the Selling Shareholders and the Global Coordinator may agree in writing.

36. The Invitation Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act) except pursuant to the registration requirements of the Securities Act or an exemption thereto. The Lead Manager and the Co-Lead Managers of the Placement may arrange for the sale of a portion of the Invitation Shares in the United States exclusively to persons reasonably believed by them to be qualified institutional buyers as defined in, and in reliance on the exemption from the registration requirements provided by, Rule 144A, and each United States purchaser of the Invitation Shares is hereby notified that the offer and sale of the Invitation Shares to it is being made in reliance upon such exemption. The offering of the Invitation Shares outside the United States will be made in reliance on Regulation S under the Securities Act and in accordance with applicable laws. Until 40 days after the latest of the commencement of the Invitation, the date of delivery of the Invitation Shares or the date of delivery of additional New Shares pursuant to the Over-Allotment Option, if any, any offer or sale of the Invitation Shares within the United States by any dealer (whether participating in the Invitation or not) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

MISCELLANEOUS

37. The registered office of the Company is located at Craigmuir Chambers, PO Box 71, Road Town, Tortola, BVI. At the date of this Prospectus, the Company has not established a place of business in Singapore. A subsidiary of the Company, CEPL, has its registered office at 10 Hoe Chiang Road #16-02, Keppel Towers, Singapore.

38. The nature of the business of the Company is stated under “Business of the Group”. At the date of this Prospectus, all the corporations listed below are, by reference to Section 6 of the Singapore Companies Act, deemed to be related to the Company:

Subsidiaries of the Company

Ceanothus Enterprise Pte. Ltd.
Central American Resources, Inc.
Del Monte Pacific Resources Limited
Del Monte Philippines, Inc.
Dewey Limited
GTL Limited
Hordaland Company Limited
Pacific Brands Philippines, Inc.

Holding Company of the Company

Macondray & Co., Inc.

Other Subsidiaries of the Holding Company

Insta Credit Corporation
Macondray Agro-Industrial Corporation
Macondray Carriers and Brokerage Corporation
Macondray Fibreboard Corporation
Macondray Finance Corporation
Macondray Industries, Inc.
Macondray Insurance Brokers Corporation
Macondray Packaging Corporation
Macondray Plastics, Inc.
MCI, Inc.
MCI Resources Corporation
People's Credit Network, Inc.

39. The time of opening of the Application List is set out on page 15 of this Prospectus.

40. The amount payable on application is S\$1.071 for each Offer Share (other than the Reserved Shares), US\$0.63 for each Reserved Share and US\$0.63 for each Placement Share. Save as disclosed on page 128 of this Prospectus, there has been no previous issue of shares by the Company or offer for sale of Shares to the public within the two years preceding the date of this Prospectus.

41. Application moneys received by the Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Banker. In the ordinary course of business, the Receiving Banker will deploy these moneys in the inter-bank money market. Pursuant to the agreement constituted by a letter dated 22nd July, 1999 from the Receiving Banker, the Company, the Selling Shareholders and the Receiving Banker have agreed that the Company and the Selling Shareholders will receive for their own account a 50.0 per cent. share of any net revenue in excess of US\$50,000 earned by the Receiving Banker from the deployment of such moneys in the inter-bank money market. The balance 50.0 per cent. share will be earned by the Receiving Banker. Any refund of all or part of the application moneys to unsuccessful or partially successful applicants will be made without any interest or share of revenue or other benefit arising therefrom.

42. No property has been purchased or acquired or is proposed to be purchased or acquired by the Company or any of its subsidiaries which is to be paid for wholly or partly out of the proceeds of the issue of the New Shares or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus other than property, the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of the Company or its subsidiaries, the contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.

43. The amount of preliminary expenses is approximately US\$1,000, which has been paid by the Company. The estimated amount of the expenses of the issue of the Invitation, including underwriting and placement commission and all other incidental expenses in relation to the Invitation, is approximately US\$8.25 million which will be borne by the Company and the Selling Shareholders in the proportion of the number of Invitation Shares each has offered to the total number of Invitation Shares offered pursuant to the Invitation. The listing fee and other fees payable to the SES for the listing are payable by the Company.

44. No amount of cash, securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.

45. Save as disclosed in this Prospectus, the Directors are not aware of any material information, including trading factors or risks, which are not mentioned elsewhere in this Prospectus or are unlikely to be known or anticipated by the general public and which could materially affect the profit of the Group.

46. Save as disclosed in this Prospectus, the financial condition and operations of the Group are not affected by any of the following:

- (a) known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the liquidity of the Group increasing or decreasing in any material way;
- (b) material commitments for capital expenditures;
- (c) unusual or infrequent events or transactions or significant economic changes that materially affect the amount of reported income from operations; and
- (d) known trends or uncertainties that have had or that the Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income.

DIRECTORS' AND THE SELLING SHAREHOLDERS' RESPONSIBILITY STATEMENT

47. This Prospectus has been seen and approved by the Directors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and the Group.

48. This Prospectus has been seen and approved by the Selling Shareholders and each of the Selling Shareholders accepts full responsibility for the accuracy of the information given herein with regard to such Selling Shareholder which is limited to the information contained under "Definitions — Other Definitions", "Take-overs", "Prospectus Summary", "Risk Factors", "Share Capital", "Ownership Structure and Principal Shareholders", "Restructuring Exercise", "Business of the Group", "Directors, Senior Management and Employees — Related Party Transactions" and "General and Statutory Information — Related Party Interests" and information with respect to the name of, and the number of Existing Shares held and to be sold by, such Selling Shareholder, and confirm, having made all reasonable enquiries, that to the best of the knowledge and belief of such Selling Shareholder, there are no other material facts the omission of which would make any statement herein for which it is responsible misleading.

STATEMENT BY THE GLOBAL COORDINATOR FOR THE INVITATION

49. ABN AMRO Rothschild, as the Global Coordinator for the Invitation, acknowledges that, to the best of its knowledge and belief, based on information furnished to it by the Group, this Prospectus constitutes full and true disclosure of all material facts about the Invitation and the Group based on information supplied by the Directors after due and careful enquiry and is not aware of any other facts the omission of which would make any statements herein misleading, and that it is satisfied that the profit forecast for the financial year ending 31st December, 1999 has been stated by the Directors after due and careful enquiry.

CONSENTS

50. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of, and references to, their Accountants' Report, their letter in relation to the Pro Forma Consolidated Profit Forecast for the financial year ending 31st December, 1999 and their letter in relation to the Pro Forma Consolidated Financial Statements for the four months ended 30th April, 1998 and 1999, and their name, in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

51. The Managers, the Solicitors to the Invitation, the legal advisers to the Managers as to English and United States laws, the legal advisers to the Company as to Philippine law, the legal advisers to the Company as to BVI law, the legal advisers to the Company as to English law, the legal advisers to the Company as to South African law, the management consultant to the Company, the principal bankers, the Registrar for the Invitation and the Singapore Share Transfer Agent and the BVI Registrar and Share

Transfer Office have each given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of, and references to, their respective names, in the respective forms and context in which they appear in this Prospectus and to act in those capacities in relation to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

52. Copies of the following documents may be inspected at the office of the Registrar for the Invitation and the Singapore Share Transfer Agent, Lim Associates (Pte) Ltd, at 10 Collyer Quay #19-08, Ocean Building, Singapore 049315 during normal business hours for a period of six months from the date of this Prospectus:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the BVI Companies Act;
- (c) the Directors' Report set out on page 93 of this Prospectus;
- (d) the Accountants' Report set out on pages 98 to 116 of this Prospectus;
- (e) the material contracts referred to in paragraph 27 on page 129 of this Prospectus;
- (f) the letters of consent referred to in paragraphs 50 and 51 on pages 134 and 135 of this Prospectus;
- (g) the audited consolidated financial statements of the DMPRL Group for the two years ended 31st December, 1997 and 1998; and
- (h) the Restructuring Agreements.

APPENDIX I

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION

Applications are invited for the subscription and/or purchase of the Invitation Shares at the Invitation Price for each Share subject to the following terms and conditions:

1. Applications for the Offer Shares (other than the Reserved Shares) may be made by way of printed Application Forms for the Offer Shares or by way of Electronic Applications through ATMs of the Participating Banks. Applications for Placement Shares may only be made by way of printed Application Forms for Placement Shares, and applications for Reserved Shares may only be made by way of printed Application Forms for Reserved Shares. **APPLICANTS MAY NOT USE CENTRAL PROVIDENT FUND MONEYS TO APPLY FOR THE INVITATION SHARES.**
2. Applications must be made in lots of 1,000 Invitation Shares or higher multiples of 1,000 Invitation Shares. Applications for any other number of Invitation Shares will be rejected.
3. **ONLY ONE APPLICATION MAY BE MADE FOR THE BENEFIT OF ONE PERSON FOR EITHER THE OFFER SHARES (OTHER THAN THE RESERVED SHARES) OR THE PLACEMENT SHARES IN HIS OWN NAME. A PERSON SUBMITTING AN APPLICATION FOR OFFER SHARES BY WAY OF A PRINTED APPLICATION FORM MAY NOT SUBMIT ANOTHER APPLICATION BY WAY OF AN ELECTRONIC APPLICATION, AND VICE VERSA. SUCH SEPARATE APPLICATIONS SHALL BE DEEMED TO BE MULTIPLE APPLICATIONS AND SHALL BE REJECTED.**

A PERSON, OTHER THAN AN APPROVED NOMINEE COMPANY, WHO IS SUBMITTING AN APPLICATION IN HIS OWN NAME SHOULD NOT SUBMIT ANY OTHER APPLICATIONS, WHETHER ON A PRINTED APPLICATION FORM OR THROUGH AN ELECTRONIC APPLICATION, FOR ANY OTHER PERSON. SUCH SEPARATE APPLICATIONS SHALL BE DEEMED TO BE MULTIPLE APPLICATIONS AND SHALL BE REJECTED.

AN APPLICANT WHO HAS AGREED WITH THE PLACEMENT MANAGERS TO SUBSCRIBE FOR AND/OR TO PURCHASE PLACEMENT SHARES OR WHO OTHERWISE SUBSCRIBES FOR AND/OR PURCHASES PLACEMENT SHARES FROM THE PLACEMENT MANAGERS SHALL NOT MAKE ANY APPLICATION FOR OFFER SHARES (OTHER THAN THE RESERVED SHARES) EITHER BY WAY OF AN ELECTRONIC APPLICATION OR BY WAY OF A PRINTED APPLICATION FORM. SUCH SEPARATE APPLICATIONS SHALL BE DEEMED TO BE MULTIPLE APPLICATIONS BY SUCH APPLICANT AND SHALL BE REJECTED.

CONVERSELY, AN APPLICANT WHO HAS MADE AN APPLICATION FOR THE OFFER SHARES (OTHER THAN THE RESERVED SHARES) EITHER BY WAY OF AN ELECTRONIC APPLICATION OR BY WAY OF A PRINTED APPLICATION FORM SHALL NOT MAKE ANY APPLICATION FOR THE PLACEMENT SHARES. SUCH SEPARATE APPLICATIONS SHALL BE DEEMED TO BE MULTIPLE APPLICATIONS BY SUCH APPLICANT AND SHALL BE REJECTED.

JOINT OR MULTIPLE APPLICATIONS WILL BE REJECTED. PERSONS SUBMITTING OR PROCURING SUBMISSIONS OF MULTIPLE SHARE APPLICATIONS (WHETHER FOR OFFER SHARES, PLACEMENT SHARES OR BOTH OFFER SHARES AND PLACEMENT SHARES) MAY BE DEEMED TO HAVE COMMITTED AN OFFENCE UNDER THE PENAL CODE (CHAPTER 224) OF SINGAPORE AND THE SECURITIES INDUSTRY ACT (CHAPTER 289) OF SINGAPORE AND SUCH APPLICATIONS MAY BE REFERRED TO THE RELEVANT AUTHORITIES FOR INVESTIGATION. MULTIPLE APPLICATIONS OR THOSE APPEARING TO BE OR SUSPECTED OF BEING MULTIPLE APPLICATIONS WILL BE LIABLE TO BE REJECTED AT THE DISCRETION OF THE COMPANY.

AN APPLICANT MAKING AN APPLICATION FOR THE RESERVED SHARES USING THE PRINTED APPLICATION FORM FOR RESERVED SHARES MAY SUBMIT ONE SEPARATE APPLICATION FOR THE OFFER SHARES (OTHER THAN FOR THE RESERVED SHARES) IN HIS OWN NAME BY WAY OF A PRINTED APPLICATION FORM OR AN ELECTRONIC APPLICATION OR SUBMIT ONE SEPARATE APPLICATION FOR THE PLACEMENT SHARES, PROVIDED HE ADHERES TO THE TERMS AND CONDITIONS OF THIS PROSPECTUS. SUCH SEPARATE APPLICATIONS WILL NOT BE TREATED AS MULTIPLE APPLICATIONS.

4. Applications will not be accepted from any person under the age of 21, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders and applicants whose address (furnished in their printed Application Forms or in the case of Electronic Applications contained in the records of the relevant Participating Bank, as the case may be) bear post office box numbers.
5. **The existence of a trust will not be recognised.** Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of a nominee or nominees after complying with paragraph 6 below.
6. **Nominee applications must be made by approved nominee companies only.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licenced securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies will be rejected.
7. For non-nominee applications, each applicant must maintain a Securities Account with CDP in his own name at the time of application. An applicant without an existing Securities Account with CDP in his own name at the time of application will have his application rejected (in the case of an application by way of a printed Application Form) or will not be able to complete his Electronic Application (in the case of an Electronic Application). An applicant with an existing Securities Account who fails to provide his Securities Account number or who provides an incorrect Securities Account number in Section B of his Application Form or in his Electronic Application, as the case may be, is liable to have his application rejected. Subject to paragraph 8 below, an application shall be rejected if the applicant's particulars such as his name, NRIC or passport number, nationality and permanent residence status provided in his Application Form or in the records of the relevant Participating Bank at the time of his Electronic Application, as the case may be, differ from the particulars in his Securities Account as maintained with CDP. If the applicant possesses more than one individual direct Securities Account, his application will be rejected.
8. **If the address of an applicant stated on the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, the applicant must inform CDP of his updated address promptly, failing which the notification letter on successful allotment and/or allocation will be sent to his address last registered with CDP.**
9. The Company reserves the right to reject or accept, in whole or in part, or to scale down or ballot, any application without assigning any reason therefor, and no enquiry and/or correspondence on the decision of the Company will be entertained. This right applies to applications made by way of printed Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation, at the discretion of the Company, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of successful applicants with a view to establishing an adequate market for the Shares.
10. The Company reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of applications by way of printed Application Forms, which is illegible,

incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance. The Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to each successful applicant at his own risk, within 15 Business Days after the close of the Application List, a statement showing that his Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to him. This will be the only acknowledgement of application moneys received and is not an acknowledgement by the Company and/or the Selling Shareholders. Each applicant irrevocably authorises CDP to complete and sign on his behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to the applicant. This authorisation applies for applications made by way of printed Application Forms and by way of Electronic Applications.
12. Any of the Reserved Shares not taken up by the employees and persons whom the Company believes have contributed to the success of the Group by the close of the Application List will be made available to satisfy applications for the Offer Shares (other than the Reserved Shares) to the extent that there is an over-subscription for the Offer Shares (other than the Reserved Shares) by the close of the Application List.

In the event of an under-subscription for the Offer Shares (other than the Reserved Shares) by the close of the Application List, that number of Offer Shares (other than the Reserved Shares) under-subscribed will be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares (other than the Reserved Shares) as at the close of the Application List and the number of Placement Shares and Reserved Shares are fully subscribed or over-subscribed by the close of the Application List, the successful applications for the Offer Shares (other than the Reserved Shares) will be determined by ballot or by some other method, as may be approved by the SES.

13. By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM in accordance with the provisions herein, each applicant:
 - (a) irrevocably offers to subscribe and/or purchase the number of Invitation Shares specified in his application (or such smaller number for which the application is accepted) at the Invitation Price for each Invitation Share and agrees that he will accept such Invitation Shares as may be allotted and/or allocated to him, in each case on the terms of, and subject to the conditions set out in, this Prospectus and the Memorandum and Articles of Association of the Company; and
 - (b) warrants the truth and accuracy of the information in his application.
14. No Invitation Shares will be allotted and/or allocated on the basis of this Prospectus later than six months after the date of this Prospectus.
15. Each applicant irrevocably authorises CDP to disclose the outcome of his application, including the number of Invitation Shares allotted and/or allocated to the applicant pursuant to his application, to authorised operators.
16. Acceptance of applications will be conditional upon the Company being satisfied that:
 - (a) permission has been granted by the SES to deal in, and for quotation of, all the Shares already issued and the New Shares on the Official List of the SES; and

- (b) the Offer Agreement and the Placement Agreement (referred to under “General and Statutory Information — Offer and Placement Agreements”) have become unconditional in all respects and have not been terminated.
17. Any reference to the “applicant” in this section shall include a person applying for the Offer Shares by way of an Electronic Application or by way of a printed Application Form and a person applying for the Placement Shares through the Placement Managers.
 18. Additional terms and conditions for applications by way of printed Application Forms are set out on pages 140 to 143 of this Prospectus.
 19. Additional terms and conditions for Electronic Applications are set out on pages 144 to 148 of this Prospectus.
 20. No application will be held in reserve.
 21. The Invitation Price for each Placement Share and each Reserved Share is US\$0.63.
 22. The Invitation Price for each Offer Share (other than the Reserved Shares) is S\$1.071, which has been determined based on a fixed exchange rate of US\$1.00 : S\$1.70.

Additional Terms, Conditions and Procedures for Applications Using Printed Application Forms

Applications by way of printed Application Forms shall be made on, and subject to, the terms and conditions of this Prospectus, including but not limited to the terms and conditions appearing below and those set out under the section on “Terms and Conditions and Procedures for Application”, as well as the Memorandum and Articles of Association of the Company.

1. Applications for the Offer Shares (other than for the Reserved Shares) must be made using the **WHITE** Application Forms and official envelopes “A” and “B”, applications for the Placement Shares must be made using the **BLUE** Application Forms, and applications for the Reserved Shares must be made using the **PINK** Application Forms, accompanying and forming part of this Prospectus. Care must be taken to follow the instructions set out in the respective Application Forms and this Prospectus for the completion of the respective Application Forms. The Company reserves the right to reject applications which do not conform strictly to these instructions or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances.
2. Each Application Form must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**. All spaces in the Application Form except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
3. Individuals, corporations, approved nominee companies and trustees must give their names in full. Applications must be made, in the case of individuals, in their full names as appearing in their identity cards (if applicants have such identification documents) or in their passports and, in the case of corporations, in their full names as registered with a competent authority. Applicants, other than individuals, completing the Application Form under the hand of an official, must state the name and capacity in which that official signs. A corporation completing the Application Form is required to affix its Common Seal (if any) in accordance with its Memorandum and Articles of Association or the equivalent constitutive documents of the corporation. If an application by a corporate applicant is successful, a copy of its Memorandum and Articles of Association or its equivalent constitutive documents must be lodged with the Company’s Share Registrar. The Company reserves the right to require any applicant to produce documentary proof of identification for verification purposes.
4. Individual applicants or corporate applicants will be required to declare whether they are citizens or permanent residents of Singapore or corporations, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporations. Approved nominee companies are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.
5.
 - (a) All applicants must complete Sections A and B and sign page 1 of the Application Form.
 - (b) All applicants are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, the applicant must also complete Section C of the Application Form with particulars of the beneficial owner(s).
 - (c) Applicants who fail to make the required declarations in paragraph 7(a) or 7(b) (as the case may be) on page 1 of the Application Form are liable to have their applications rejected.
6. Each application for the Offer Shares must be accompanied by a remittance in **Singapore dollars** for the full amount payable in respect of the number of Offer Shares applied for. Applicants must make their payment in Singapore dollars in the form of a **CASHIER’S ORDER OR BANKER’S DRAFT drawn on a bank in Singapore** and made out in favour of “**DEL**

MONTE SINGAPORE DOLLAR IPO ACCOUNT” crossed “**A/C PAYEE ONLY**” and with the name and address of the applicant **WRITTEN CLEARLY ON THE REVERSE SIDE. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED.** Remittances bearing the “Not Transferable” or “Non Transferable” crossings will be rejected. No acknowledgement of receipt will be issued by the Company, the Selling Shareholders or the Managers for applications and application moneys received.

Each application for the Reserved Shares must be accompanied by a remittance in **US dollars** for the full amount payable in respect of the number of Invitation Shares applied for. With the implementation of the United States Dollar Cheque Clearing System (“US\$CCS”), applicants may make their payment in **US dollars** in the form of a **CASHIER’S ORDER OR A BANKER’S DRAFT drawn on a bank in Singapore which is participating in the US\$CCS** (which would include the following banks in Singapore: ABN AMRO Bank N.V., ABSA Bank Limited, The Agricultural Bank of China, The Asahi Bank Ltd, Banca Monte dei Paschi di Siena S.p.A., Bank of America NT & SA, Bank Boston N.A., Bank of China, Bank of Communications, Bank of India, Bank of Taiwan, The Bank of Tokyo-Mitsubishi, Ltd., Banque Bruxelles Lambert SA, Banque Paribas, Barclays Bank plc, The Chase Manhattan Bank, Chung Khiaw Bank Limited, Citibank, N.A., The Commercial Bank of Korea Limited, Compagnie Financière de CIC et de l’Union Européenne, Credit Agricole Indosuez, DBS Bank, The Dai-Ichi Kangyo Bank, Limited, Far Eastern Bank Ltd, First Commercial Bank, The Fuji Bank Limited, HL Bank, The Hongkong and Shanghai Banking Corporation Limited, Hua Nan Commercial Bank, Ltd, Indian Bank, Industrial & Commercial Bank Limited, Instituto Bancario San Paolo di Torino S.p.A., Keppel TatLee Bank Limited, Korea Exchange Bank, Merita Bank Ltd, Oversea-Chinese Banking Corporation Limited (“OCBC”), Overseas Union Bank Limited (“OUB”), P.T. Bank Ekspor Impor Indonesia (Persero), P.T. Bank Negara Indonesia (Persero), Standard Chartered Bank, The Sumitomo Bank Ltd, The Sakura Bank, Limited, The Sanwa Bank Limited, The Tokai Bank Limited, UCOBANK, Unibank of Denmark A/S (Unibank A/S), Union de Banques Arabes et Francaises-U.B.A.F. and United Overseas Bank Limited (“UOB”)) and made out in favour of “**DEL MONTE US DOLLAR IPO ACCOUNT**” crossed “**A/C PAYEE ONLY**” and with the name and address of the applicant **WRITTEN CLEARLY ON THE REVERSE SIDE. US dollar banker’s drafts drawn on a bank in New York are liable to be rejected. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED.** Remittances bearing the “Not Transferable” or “Non Transferable” crossings will be rejected. No acknowledgement of receipt will be issued by the Company, the Selling Shareholders or the Managers for applications and application moneys received.

7. Unsuccessful applications and those not successfully balloted are expected to be returned to the applicants by ordinary post at the risk of the applicants within three Business Days after the close of the Application List without interest or any share of revenue or other benefit arising therefrom. Where an application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded to the applicant by ordinary post at his own risk (without interest or any share of revenue or other benefit arising therefrom) within 14 Business Days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application moneys received in the designated share issue account.
8. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
9. In consideration of the Company having distributed the Application Form to the applicant and agreeing to close the Application List at 12:00 noon on 29th July, 1999 (Singapore time) or such later time or date as the Directors may, in their absolute discretion, decide and by completing and delivering the Application Form, each applicant agrees that:
 - (a) his application is irrevocable;

- (b) his remittance will be honoured on first presentation and that any moneys returnable may be held pending clearance of his payment and he will not be entitled to any interest or any share of revenue or other benefit arising therefrom;
- (c) in respect of the Invitation Shares for which his application has been received and not rejected, acceptance of his application shall be constituted by written notification by or on behalf of the Company and the Selling Shareholders and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Company and the Selling Shareholders;
- (d) he will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of his application;
- (e) all applications, acceptances and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with the laws of Singapore and that he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts; and
- (f) in making this application, reliance is being placed solely on the information contained in this Prospectus and that none of the Company, the Selling Shareholders, the Managers or any of other parties involved in the Invitation shall have any liability for any information not so contained.

10. Applications for Offer Shares (other than Reserved Shares)

- (1) Applications for Offer Shares (other than Reserved Shares) **MUST** be made using the **WHITE** Application Forms and **BROWN** official envelopes “**A**” and “**B**”.
- (2) The applicant must:
 - (a) enclose the **WHITE** Application Form, duly completed, together with the correct remittance in the **BROWN** envelope “**A**” which is provided;
 - (b) in the appropriate spaces on the **BROWN** envelope “**A**”;
 - (i) write his name and address;
 - (ii) state the number of Offer Shares applied for;
 - (iii) affix adequate Singapore postage;
 - (c) **SEAL BROWN ENVELOPE “A”**;
 - (d) write, in the special box provided on the larger **BROWN** envelope “**B**” addressed to ABN AMRO Rothschild, c/o ABN AMRO Asia Merchant Bank (Singapore) Limited, 63 Chulia Street #11-01, Singapore 049514, the number of Offer Shares for which the application is made; and
 - (e) insert **BROWN** envelope “**A**” into **BROWN** envelope “**B**”, seal **BROWN** envelope “**B**”, affix adequate Singapore postage on envelope “**B**” (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at his own risk to ABN AMRO Rothschild, c/o ABN AMRO Asia Merchant Bank (Singapore) Limited, 63 Chulia Street #11-01, Singapore 049514, so as to arrive no later than **12:00 noon on 29th July, 1999 (Singapore time)** or such later time or date as the Directors may, in their absolute discretion, decide. Local Urgent Mail or Registered Post must **NOT** be used.
- (3) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgment of receipt will be issued for any application or remittance received.

11. Applications for Placement Shares

- (1) Applications for Placement Shares **MUST** be made using the **BLUE** Application Forms for Placement Shares.
- (2) The completed Placement Shares Application Form must be enclosed and sealed in an envelope to be provided by the applicant. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at the applicant's own risk to ABN AMRO Rothschild, c/o ABN AMRO Asia Merchant Bank (Singapore) Limited, 63 Chulia Street #11-01, Singapore 049514, for the attention of Corporate Finance Department, to arrive no later than **5:00 p.m. on 27th July, 1999 (Singapore time)** or such later time or date as the Directors may, in their absolute discretion, decide. Local Urgent Mail or Registered Post must **NOT** be used.
- (3) **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgment of receipt will be issued for any application or remittance received.
- (4) The applicant's remittance for the full amount payable in respect of the number of Placement Shares applied for must be by electronic transfer to the account of ABN AMRO Bank N.V., New York (S.W.I.F.T. Address: ABNAUS33) for the account of ABN AMRO Bank N.V., Singapore, A/C no.: 5.01.38.170, Quoting Ref.: DEL MONTE USD IPO, for value **no later than 12:00 noon on 29th July, 1999 (New York time)**. Applicants should send a copy of the telegraphic transfer advice slip to ABN AMRO Rothschild, c/o ABN AMRO Asia Merchant Bank (Singapore) Limited, 63 Chulia Street #11-01, Singapore 049514, for the attention of Corporate Finance Department, to arrive no later than **12:00 noon on 29th July, 1999 (New York time)** or such later time or date as the Directors may, in their absolute discretion, decide.

12. Applications for Reserved Shares

- (1) Applications for Reserved Shares **MUST** be made using the **PINK** Application Forms for Reserved Shares.
- (2) The completed **Reserved Shares** Application Form and the applicant's remittance for the full amount payable in respect of the number of Reserved Shares applied for must be enclosed and sealed in an envelope to be provided by the applicant. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at the applicant's own risk to ABN AMRO Rothschild, c/o ABN AMRO Asia Merchant Bank (Singapore) Limited, 63 Chulia Street #11-01, Singapore 049514, for the attention of Corporate Finance Department, to arrive no later than **5:00 p.m. on 27th July, 1999 (Singapore time)** or such later time or date as the Directors may, in their absolute discretion, decide. Local Urgent Mail or Registered Post must **NOT** be used.
- (3) Only one application should be enclosed in each envelope. No acknowledgment of receipt will be issued for any application or remittance received.
- (4) Alternatively, the applicant may remit his application moneys by electronic transfer to the account of ABN AMRO Bank N.V., New York (S.W.I.F.T. Address: ABNAUS33) for the account of ABN AMRO Bank N.V., Singapore, A/C no.: 5.01.38.170, Quoting Ref.: DEL MONTE USD IPO, for value no later than **12:00 noon on 27th July, 1999 (New York time)**. Applicants who remit their application moneys via electronic transfer should send a copy of the telegraphic transfer advice slip to ABN AMRO Rothschild, c/o ABN AMRO Asia Merchant Bank (Singapore) Limited, 63 Chulia Street #11-01, Singapore 049514, for the attention of Corporate Finance Department, to arrive no later than **12:00 noon on 27th July, 1999 (New York time)** or such later time or date as the Directors may, in their absolute discretion, decide.

Additional Terms, Conditions and Procedures for Electronic Applications

The procedures for Electronic Applications at ATMs of the Participating Banks are set out on the ATM screens of the relevant Participating Banks (the “Steps”). For illustration purposes, the procedure for Electronic Applications through ATMs of DBS Bank is set out in the “Steps for Electronic Applications” appearing below. Please read the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below carefully before making an Electronic Application. Electronic Applications may not be used to apply for Placement Shares or Reserved Shares.

Any reference to “applicant” in these Terms and Conditions for Electronic Applications and the Steps shall mean the applicant who applies for the Offer Shares (other than the Reserved Shares) through an ATM of a Participating Bank.

The Steps set out the actions that the applicant must take to complete an Electronic Application through an ATM belonging to DBS Bank. The actions that the applicant must take at the ATMs of other Participating Banks are set out on the ATM screens of the relevant Participating Banks. Upon completion of his Electronic Application transaction, the applicant will receive an ATM transaction slip (“Transaction Record”) confirming the details of his Electronic Application. The Transaction Record is for retention by the applicant and should not be submitted with any printed Application Form.

An applicant must have an existing bank account with, and be an ATM cardholder of, one of the Participating Banks before he can make an Electronic Application at an ATM of that Participating Bank. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to any of the other Participating Banks. An applicant who fails to use his own ATM card or who does not key in his own Securities Account number will have his application rejected.

An applicant, including one who has a joint bank account with a Participating Bank, must use an ATM card issued to him in his own name and must enter his own Securities Account number. An applicant who fails to use his own ATM card or who does not key in his own Securities Account number will have his application rejected.

An Electronic Application shall be made on, and subject to, the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “Terms, Conditions and Procedures for Application”, as well as the Memorandum and Articles of Association of the Company.

1. In connection with his Electronic Application for the Offer Shares (other than the Reserved Shares), the applicant is required to confirm statements to the following effect in the course of activating the ATM for his Electronic Application:
 - (a) **that he has received a copy of this Prospectus and has read, understood and agreed to all the terms and conditions of application for the Offer Shares (other than the Reserved Shares) and this Prospectus prior to effecting the Electronic Application and agrees to be bound by the same;**
 - (b) **that he consents to the disclosure of his name, NRIC or passport number, address, nationality and permanent residence status, CDP Securities Account number and share application amount (the “Relevant Particulars”) from his account with that Participating Bank (the “Relevant Participating Bank”) to the Share Registrar, SCCS, CDP, the Company, the Selling Shareholders and the Global Coordinator (the “Relevant Parties”); and**
 - (c) **that his application is his only application for the Offer Shares (other than for the Reserved Shares, if applicable) and it is made in his own name and at his own risk.**

His application will not be successfully completed and cannot be recorded as a completed transaction in the ATM unless he presses the “Enter” or “OK” or “Confirm” or “Yes” key. By doing so, the applicant shall be treated as signifying his confirmation of each of the above three statements. In respect of statement 1(b) above, his confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key, shall signify and shall be treated as his written permission, given in accordance with the relevant laws of Singapore, including Section 47(4) of the Banking Act (Chapter 19) of Singapore, to the disclosure by the Relevant Participating Bank of the Relevant Particulars of his account(s) with that Participating Bank to the Relevant Parties.

2. An applicant may make an Electronic Application at an ATM of any Participating Bank for the Offer Shares (other than the Reserved Shares) using cash only by authorising such Participating Bank to deduct the full amount payable from his account with such Participating Bank.
3. The applicant irrevocably agrees and undertakes to subscribe and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or any lesser number of Offer Shares that may be allotted and/or allocated to him in respect of his Electronic Application. In the event that the Company decides to allot and/or allocate any lesser number of such Offer Shares or not to allot any Offer Shares to the applicant, the applicant agrees to accept the decision as final. If the applicant’s Electronic Application is successful, his confirmation (by his action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM) of the number of Offer Shares applied for shall signify and shall be treated as his acceptance of the number of Offer Shares that may be allotted and/or allocated to him and his agreement to be bound by the Memorandum and Articles of Association of the Company.
4. The applicant irrevocably requests and authorises the Company and the Selling Shareholders to:
 - (a) register the Offer Shares allotted and/or allocated to him in the name of CDP for deposit into his Securities Account;
 - (b) send the relevant Share certificate(s) to CDP;
 - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application moneys in Singapore dollars should his Electronic Application not be accepted, by automatically crediting the applicant’s bank account with the Relevant Participating Bank with the relevant amount within three Business Days after the close of the Application List; and
 - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application moneys in Singapore dollars should his Electronic Application be accepted in part only, by automatically crediting the applicant’s bank account with the Relevant Participating Bank with the relevant amount within 14 Business Days after the close of the Application List.
5. **BY MAKING AN ELECTRONIC APPLICATION, THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR THE OFFER SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT HE MAKES IS THE ONLY APPLICATION (OTHER THAN FOR RESERVED SHARES) MADE BY HIM AS BENEFICIAL OWNER.**

THE APPLICANT SHALL MAKE ONLY ONE ELECTRONIC APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE INVITATION SHARES (OTHER THAN RESERVED SHARES), WHETHER AT THE ATMs OF ANY PARTICIPATING BANK OR ON THE PRESCRIBED PRINTED APPLICATION FORMS.

6. **No reserve application will be kept.** Where an Electronic Application is not accepted, it is expected that the full amount of the application moneys will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to the applicant by being automatically credited to the applicant's account with the Relevant Participating Bank within three Business Days after the close of the Application List. Where an Electronic Application is accepted in part only, the balance of the application moneys will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to the applicant by being automatically credited to the applicant's account with the Relevant Participating Bank within 14 Business Days after the close of the Application List.

If the applicant's Electronic Application is made through the ATMs of DBS Bank's POSBank Services division, KTB or UOB Group and is unsuccessful, it is expected that a computer-generated notice will be sent to the applicant by the Relevant Participating Bank (at the address of the applicant stated in the records of the Relevant Participating Bank as at the date of his Electronic Application) by ordinary post at the applicant's own risk within three Business Days after the close of the Application List. **If the applicant's Electronic Application is made through the ATMs of OCBC Group, OUB Group or DBS Group (other than those of its POSBank Services division) and is unsuccessful, no notification will be sent by the Relevant Participating Bank.**

Applicants who make Electronic Applications through the ATMs of the following banks may check the provisional results of their Electronic Applications as follows:

<u>Bank</u>	<u>Telephone/Website</u>	<u>Available at ATM</u>	<u>Operating Hours</u>	<u>Service expected from</u>
DBS Bank	1-800-222-2222	Autobanks or Autoview	24 hours a day	7.00 p.m. on the balloting day
KTB	222-8228	ATM	ATM-24 hours a day Phone Banking Mon-Fri 0800-2200 Sat 0800-1500	ATM-Evening of the balloting day Phone Banking — 8.00 a.m. on the day after the balloting day
OCBC	1-800-363-3333	ATM	ATM-24 hours a day Phone Banking Mon-Fri 0800-2200 Sat 0800-1500	Evening of the balloting day
OUB	1-800-224-2000 www.oub.com.sg	Not available	Phone Banking 24 hours a day Internet Banking 24 hours a day	Evening of the balloting day Evening of the balloting day
UOB	539-4419 539-3945	Not available	Phone Banking Mon-Sat 0900-1800	10.30 a.m. on the day after the balloting day

7. The applicant irrevocably agrees and acknowledges that his Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, the Company, the Selling Shareholders and the Global Coordinator for the Invitation and if, in any such event, the Participating Banks and/or the Company and/or the Selling Shareholders and/or the Global Coordinator for the Invitation do not receive the applicant's Electronic Application, or data relating to the applicant's Electronic Application or the tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially, for whatever reason, the applicant shall be deemed not to have made an Electronic Application and the applicant shall have no claim whatsoever against the Participating Banks, the Company, the Selling Shareholders and/or the Global Coordinator for the Invitation for the Offer Shares applied for or for any compensation, loss or damage.

8. Electronic Applications shall close on 12:00 noon on 29th July, 1999 or such later time as the Directors and the Selling Shareholders may in their absolute discretion decide.
9. All particulars of the applicant in the records of his Participating Bank at the time he makes his Electronic Application shall be deemed to be true and correct and the Relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in the particulars of the applicant after the completion of his Electronic Application, the applicant shall promptly notify his Participating Bank.
10. The applicant must have sufficient funds in his bank account(s) with his Participating Bank at the time he makes his Electronic Application, failing which his Electronic Application will not be completed. Any Electronic Application made at ATMs of any Participating Bank which does not conform strictly with the instructions set out on the ATM screens of such Participating Bank will be rejected.
11. The applicant should ensure that his personal particulars as recorded by both CDP and the Relevant Participating Bank are correct and identical. Otherwise, his Electronic Application may be rejected. The applicant should promptly inform CDP of any change in his address, failing which the notification letter on successful allotment and/or allocation will be sent to his address last registered with CDP.
12. By making and completing an Electronic Application, the applicant agrees that:
 - (a) in consideration of the Company and the Selling Shareholders making available the Electronic Application facility, through the Participating Banks acting as agents of the Company at the ATMs of the Participating Banks:
 - (i) his Electronic Application is irrevocable; and
 - (ii) his Electronic Application, the acceptance of the Electronic Application by the Company and the Selling Shareholders and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts;
 - (b) none of the Company, the Selling Shareholders, the Global Coordinator for the Invitation or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission of data relating to his Electronic Application to the Company, the Selling Shareholders or CDP due to a breakdown or failure of transmission delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond their respective control;
 - (c) he will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of his application; and
 - (d) in respect of the Offer Shares for which his Electronic Application has been successfully completed and not rejected, acceptance of the applicant's Electronic Application shall be constituted by written notification by or on behalf of the Company and the Selling Shareholders and not otherwise, notwithstanding any payment received by or on behalf of the Company and/or the Selling Shareholders.
13. The existence of a trust will not be recognised. Any Electronic Application by a trustee must be made in his own name and without qualification. The Company and the Selling Shareholders will reject any application by any person acting as nominee.
14. The applicant irrevocably authorises CDP to complete and sign on his behalf as transferee or renounee any instruments and/or other documents required for the issue or transfer of the Offer Shares allotted and/or allocated to the applicant.

Steps for Electronic Applications through ATMs of DBS Bank (other than those of its POSBank Services division)

An Applicant making an Electronic Application through a DBS Bank ATM will be viewing the following instructions on an ATM screen of DBS Bank. Certain words appearing on the screen are in abbreviated form (“A/c”, “amt”, “appln”, “&”, “I/C” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC” and “Number”, respectively). Instructions of Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank) may differ slightly from those represented below.

Steps for Offer Shares Application

1. Insert your personal DBS BankCard.
2. Enter your Personal Identification Number.
3. Select “CASHCARD & MORE SERVICES”.
4. Select “ELECT SECURITY/RIGHTS APPLN”.
5. Select share application to “DEL MONTE PACIFIC”.
6. Press the “ENTER” key to confirm that:
 - **You have read, understood and agreed to all terms of appln & Prospectus.**
 - **You consent to disclose your name, I/C No., address, nationality, CDP Securities A/c No. & share appln amount from your DBS Account(s) to share registrars, SCCS, CDP, issuer(s).**
 - **For FIXED price share appln, this is your only appln and it is made in your own name and at your own risk.**
7. Select the DBS Bank account (Savings/Current/Autosave) from which to debit your application moneys.
8. Enter the number of Offer Shares you wish to apply for using cash (from your bank account).
9. Select your nationality.
10. Enter your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in DBS Bank’s records).
11. Check the details of your share application, your NRIC/passport number and CDP Securities Account number on the screen and press the “ENTER” key to confirm your application.
12. Remove the Transaction Record for your reference and retention only.

APPENDIX II

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BVI COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company (being the instruments defining the constitution of the Company) and of certain aspects of BVI company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, *inter alia*, that:

- (a) The object of the Company is to engage in any act or activity that is not prohibited under any law for the time being in force in the BVI.
- (b) The Company may not:
 - (i) carry on business with persons resident in the BVI;
 - (ii) own an interest in real property situated in the BVI, other than a lease referred to in paragraph (c)(v) below;
 - (iii) carry on banking or trust business, unless it is licensed to do so under the BVI Banks and Trust Companies Act, 1990;
 - (iv) carry on business as an insurance or reinsurance company, insurance agent or insurance broker, unless it is licensed under an enactment authorising it to carry on that business;
 - (v) carry on the business of company management, unless it is licensed under the BVI Company Management Act, 1990; or
 - (vi) carry on the business of providing the registered office or the registered agent for companies incorporated in the BVI.
- (c) For purposes of paragraph (b)(i) above, the Company shall not be treated as carrying on business with persons resident in the BVI if:
 - (i) it makes or maintains deposits with a person carrying on banking business within the BVI;
 - (ii) it makes or maintains professional contact with solicitors, barristers, accountants, bookkeepers, trust companies, administration companies, investment advisers or other similar persons carrying on business within the BVI;
 - (iii) it prepares or maintains books and records within the BVI;
 - (iv) it holds, within the BVI, meetings of its directors or members;
 - (v) it holds a lease of property for use as an office from which to communicate with members or where books and records of the Company are prepared or maintained;
 - (vi) it holds shares, debt obligations or other securities in a company incorporated under the International Business Companies Act or under the Companies Act; or
 - (vii) shares, debt obligations or other securities in the Company are owned by any person resident in the BVI or by any company incorporated under the International Business Companies Act or under the Companies Act.
- (d) The Company shall have all such powers as are permitted by law for the time being in force in the BVI, irrespective of corporate benefit, to perform all acts and engage in all activities necessary or conducive to the conduct, promotion or attainment of the object of the Company.

In accordance with the BVI Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and, pursuant to the Articles of Association, this power is exercisable by the Directors upon such terms and subject to such conditions as they think fit.

2. ARTICLES OF ASSOCIATION

The existing Articles of Association were adopted on 22nd July, 1999. The following is a summary of certain provisions of the Articles of Association:

The following provisions in the Memorandum or Articles of Association (as applicable) of the Company relate to, *inter alia*, the transfer of shares, voting rights of shareholders and Directors' shareholding qualification, remuneration, borrowing powers and voting rights on proposals, arrangements or contracts in which they are interested:

Transfer of Shares

- The shares in the Company may be transferred by a written instrument of transfer in the form for the time being approved by the Designated Stock Exchange (as defined in the Articles) or, where the Company is no longer listed on the Designated Stock Exchange, in any other form acceptable to the Board signed by the transferor and, subject to the Articles, the transferee and containing the name and address of the transferee.
- The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository and provided further that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
- The Board may, in its absolute discretion, refuse to register a transfer of any share to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share on which the Company has a lien.
- No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.
- The Board insofar as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register provided always that a copy of the Register, as required by section 28 of the Act, shall be kept at the registered office of the Company. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.
- Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place in the BVI at which the Register is kept in accordance with the Act.

- Save as provided in the Articles, there shall be no restriction on the transfer of fully paid-up shares (except where required by law, or the listing rules of the Designated Stock Exchange).
- Without limiting the generality of the last preceding regulation, the Board may decline to recognise any instrument of transfer unless:
 - (a) a fee not exceeding two Singapore dollars as the Board may from time to time require is paid to the Company in respect thereof;
 - (b) the instrument of transfer is in respect of only one class of share;
 - (c) the instrument of transfer is lodged at the Office or such other place in the BVI at which the Register is kept in accordance with the Act or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
 - (d) if applicable, the instrument of transfer is duly and properly stamped.
- If the Board refuses to register a transfer of any share, it shall, within one month after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.
- The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange to that effect, be suspended at such times and for such periods (not exceeding in the whole 30 days in any year) as the Board may determine.
- The Company shall not be required to treat a transferee of a registered share in the Company as a member until the transferee's name has been entered in the share register.
- Subject to any limitations in the Memorandum, the Company must on the application of the transferor or transferee of a registered share in the Company enter in the share register the name of the transferee of the share save that the registration of transfers may be suspended and the share register closed at such times and for such periods as the Company may from time to time by resolution of Directors determine, provided always that such registration shall not be suspended and the share register closed for more than 60 days in any period of 12 months.

Variation of Rights

- If at any time the authorised capital is divided into different classes or series of shares, the rights attached to any class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or series and of the holders of not less than three-fourths of the issued shares of any other class or series of shares which may be affected by such variation.

Voting Rights

- Each ordinary share is entitled to one vote.
- At any meeting of the members, the chairman shall be responsible for deciding in such manner as he shall consider appropriate whether any resolution has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes thereof. If the chairman shall have any doubt as to the outcome of any resolution put to the vote, he shall cause a poll to be taken of all votes cast upon such resolution, but if the chairman shall fail to take a poll then any member present in person or by proxy who disputes the announcement by the

chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall thereupon cause a poll to be taken. If a poll is taken at any meeting, the result thereof shall be duly recorded in the minutes of that meeting by the chairman.

Directors' Shareholdings Qualification

- A Director does not require a share qualification.

Directors' Remuneration

- With the prior approval by a resolution of members at a general meeting, the Directors may, by a resolution of Directors, fix or increase or in any way vary the emoluments of Directors with respect to services to be rendered in any capacity to the Company provided always that, in respect of an increase, fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase had been given in the notice for that particular general meeting.

Directors' Voting Powers in Interested Transactions

- No agreement or transaction between the Company and one or more of its Directors or any person in which any Director has a financial interest or to whom any Director is related, including as a director of that other person, is void or voidable for this reason only or by reason only that the Director is present at the meeting of Directors or at the meeting of the committee of Directors that approves the agreement or transaction or that the vote or consent of the Director is counted for that purpose if the material facts of the interest of each Director in the agreement or transaction and his interest in or relationship to any other party to the agreement or transaction are disclosed in good faith or are known by the other Directors.
- A Director who has an interest in any particular business to be considered at a meeting of Directors or members may be counted for purposes of determining whether the meeting is duly constituted but shall not vote in regard to any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest.

Directors' Borrowing Powers

- The Directors may by resolution of Directors exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.
- Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
- Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company may amend its Memorandum of Association and Articles of Association by a resolution of members or by a resolution of Directors subject to the prior written approval of the Designated Stock Exchange.

4. BVI COMPANY LAW

The Company is incorporated in the BVI in accordance with the BVI Companies Act. Set out below is a summary of certain provisions of BVI company law, although this is not to contain all applicable qualifications and exceptions or to be a complete review of all matters of BVI company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share Capital

The BVI Companies Act provides that upon the issue of a share with par value, the consideration in respect of the share constitutes capital to the extent of the par value and the excess constitutes surplus.

The BVI Companies Act permits a company, subject to any limitations or provisions to the contrary in its Memorandum and Articles of Association, to issue common shares, preferred shares, limited shares or redeemable shares but provides that the designations, powers, preferences and rights, and the qualifications, limitations or restrictions of each class and series of shares that a company is authorised to issue, must be included in a company's Memorandum, unless the directors are to be authorised to fix any such designations, powers, preferences, rights, qualifications, limitations and restrictions and in that case an express grant of such authority as may be desired to grant to the directors to fix by a resolution any such designations, powers, preferences, rights, qualifications, limitations and restrictions that have not been fixed by the Memorandum.

(b) Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no rules or regulations under the BVI Companies Act prohibiting a company from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares.

(c) Purchase of Shares by a Company

A company may, subject to any limitations or provisions to the contrary in its Memorandum or Articles of Association, purchase, redeem or otherwise acquire its own shares but only out of surplus or in exchange for newly issued shares of equal value. Surplus is defined by the BVI Companies Act in relation to a company as the excess, if any, at the time of the determination, of the total assets of the company over the sum of its total liabilities, as shown in the books of account, plus its capital.

A company cannot purchase, redeem or otherwise acquire its own shares without the consent of the member whose shares are to be purchased, redeemed or otherwise acquired, unless the company is permitted to purchase, redeem or otherwise acquire the shares without that consent by virtue of:

- (a) the provisions of the Memorandum or Articles of Association of the company;
- (b) the designations, powers, preferences, rights, qualifications, limitations and restrictions with which the shares were issued; or
- (c) the subscription agreement for the purchase of the shares.

No purchase, redemption or acquisition permitted under the BVI Companies Act shall be made unless the directors determine that immediately after the purchase, redemption or other acquisition:

- (a) the company will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
- (b) the realisable value of the assets of the company will not be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account and its capital, and in the absence of fraud, the decision of the directors as to the realisable value of the assets of the company is conclusive, unless a question of law is involved.

Subject to the limitations in the Memorandum or Articles of Association of a company, the shares that a company purchases, redeems or otherwise acquires may be cancelled or held as treasury shares. If the shares are taken into treasury, there is no reduction of capital, but, if they are cancelled, then there is a reduction of capital. When shares are cancelled, they are available for reissue unless it is stated otherwise in the company's Memorandum or Articles of Association. With respect to treasury shares, the company itself becomes the holder of the shares, in which case the capital will remain at least as great as the amount of the aggregate par value of the treasury shares. However, treasury shares are not entitled to vote or to receive payment of dividends.

If the capital of the company is reduced by a cancellation of shares, the directors of the company must have before the cancellation made the following determinations:

- (a) that the capital of the company will not be reduced to an amount that is less than the sum of the aggregate par value of all outstanding shares with par value and all shares with par value held by the company as treasury shares and the aggregate of the amounts designated as capital of all outstanding shares without par value and all shares without par value held by the company as treasury shares that are entitled to a preference, if any, in the assets of the company upon the liquidation of the company; and
- (b) that a reduction of capital will not be effected unless the directors determine that immediately after reduction the company will be able to satisfy its liabilities as they become due in the ordinary course of its business, and that the realisable value of the assets of the company will not be less than its total liabilities other than deferred taxes, as shown in the books of account, and its remaining capital.

The BVI Companies Act provides that a company may purchase, redeem or otherwise acquire its shares of the company at a price lower than fair value if permitted by, and then only in accordance with, the terms of its Memorandum or Articles of Association or a written agreement for the subscription for the shares to be purchased, redeemed or otherwise acquired.

(d) Dividends and Distributions

Subject to any limitations or provisions to the contrary in its Memorandum or Articles of Association, a company may, by a resolution of directors, declare and pay dividends in money, shares or other property. Dividends shall only be declared and paid out of surplus. No dividends shall be declared and paid unless the directors determine that immediately after the payment of the dividends: (a) the company will be able to satisfy its liabilities as they become due in the ordinary course of its business; and (b) the realisable value of the assets of the company will not be less than the sum of its total liabilities, other than its deferred taxes, as shown in its books of accounts, and its capital.

(e) Protection of Minorities

As regards the rights of majority shareholders under the BVI Companies Act, the members holding more than 90 per cent. of the outstanding shares entitled to vote are entitled to request the redemption of the shares held by the remaining members. There are no other specific sections in the BVI Companies Act affording majority shareholders any special rights. Majority shareholders are of course, by virtue of the definition given to "resolution of members", unless amended in the Articles of Association, able to control the company with the number of shares they possess.

The BVI Companies Act defines "resolution of members" in the following manner:

- (a) a resolution approved at a duly convened and constituted meeting of the members of the company by the affirmative vote of:
 - (i) a simple majority, or such majority as may be specified in the Articles of Association, of the votes of the shares entitled to vote thereon which were present at the meeting and were voted and not abstained; or

- (ii) a simple majority, or such larger majority as may be specified in the Articles of Association, of the votes of each class or series of shares which were present at the meeting and entitled to vote thereon as a class or series and were voted and not abstained and of a simple majority, or such larger majority as may be specified in the Articles of Association, of the votes of the remaining shares entitled to vote thereon which were present at the meeting and were voted and not abstained; or
- (b) a resolution consented to in writing by:
- (i) an absolute majority, or such larger majority as may be specified in the Articles of Association, of the votes of shares entitled to vote thereon; or
 - (ii) an absolute majority, or such larger majority as may be specified in the Articles of Association, of the votes of each class or series of shares entitled to vote thereon as a class or series and of an absolute majority of the votes of the remaining shares entitled to vote thereon;

In regard to minority shareholders, they can find protection in the BVI Companies Act as well as under the common law.

The BVI Companies Act only has one section which specifically addresses the protection of minority shareholders. It states that, subject to any limitations or provisions to the contrary in its Memorandum or Articles of Association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 per cent. of the assets of any company, other than a transfer pursuant to the power of the directors to transfer assets for the protection of such assets, if not made in the usual or regular course of the business carried on by the company, shall be approved not only by a resolution of directors but also by a resolution of members.

In addition, the BVI Companies Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (a) merger;
- (b) consolidation;
- (c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent. of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition or (iii) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
- (d) a redemption of 10 per cent. or fewer of the issued shares of the company required by the holders of 90 per cent. or more of the shares of the company; and
- (e) an arrangement if permitted by the court.

Indirectly, the BVI Companies Act offers some real protection to minorities as the expression “resolution of members” as defined above applies to a company only in the absence of an alternative definition in the Articles of Association of the company. Thus, it would be possible for the Articles of Association of a company to specify that certain or all actions requiring a resolution of members must be approved by a super-majority of the issued shares, therefore giving a minority an effective veto power over the actions of a company. Furthermore, the BVI Companies Act provides that with respect to the amendment of the Memorandum and Articles of Association, subject to any limitations or provisions to the contrary in its Memorandum or Articles of Association, a company may amend its Memorandum or Articles of Association by a resolution of members or, where permitted by its Memorandum or Articles of Association, by a resolution of directors. It would, therefore, be possible

to entrench some or all of the provisions in the Memorandum and Articles of Association of a company by providing that certain or all provisions cannot be amended or that certain or all provisions can only be amended by a specified super-majority.

In addition to the above, there are certain established common law exceptions to the principle of majority rule. These exceptions have been established over a period of years by the courts of England, and such decisions may be of persuasive force before a BVI court which should happen to hear any action brought by an aggrieved minority in a company.

The basic principle of majority rule is also known as the rule in *Foss v Harbottle* which resulted from the refusal of the courts in England in the last century to interfere in the management of a company at the instance of a minority of its members who were dissatisfied with the conduct of the company's affairs by the majority of the shareholders or by the board of directors. The justification for the rule is the need to preserve the right of the majority to decide how the company's affairs should be conducted and the reluctance of the court to become involved in the decision-making process of a company where the decision of the members ought to prevail and the court's decision could be set aside by a resolution of members. However, the rule only applies where the majority of members can cure any irregularity or illegality complained of or threatened by passing a resolution of members. The court will interfere at the instance of a minority when the matter cannot be cured by a resolution of members.

In certain circumstances, an individual member may bring an action to remedy a wrong done to a company in which he holds shares or to compel such company to conduct its affairs in accordance with its Memorandum and Articles of Association and the rules of law governing it, even though no wrong has been done to him personally and even though a majority of his fellow members do not wish such action to be brought. When an individual member's action is not only on behalf of himself but also on behalf of other members, other than those, if any, against whom relief is sought, this is described as a representative action. When a member seeks relief against third parties for the benefit of the company in which he holds shares, the action is commonly described as a derivative action, as the individual member sues to enforce a claim which belongs to the company and his right to sue is derived from the company.

Some of the exceptions to the principle of majority rule are as follows:

- (a) Where a minority shareholder seeks to restrain the commission of an ultra vires act, to compel the directors to compensate the company for loss suffered by it in consequence of such an act or to recover property of a company in which he holds shares, which property has been disposed of to a third person by an ultra vires transaction which is not effective against the company. Whilst the BVI Companies Act has effectively abolished the ultra vires rule, the BVI Companies Act does state that whilst no act of a company and no transfer of property by or to such a company is invalid by reason only of the fact that the company was without capacity or power to perform the act or to make the transfer or receive the property, the lack of capacity or power may be pleaded in proceedings by a member against the company to prohibit the performance of any act or the transfer of property by or to the company or in proceedings by the company, whether acting directly or through a receiver, trustee or other legal representative or through members "in a derivative action" against the incumbent or former directors of the company for loss or damage due to their unauthorised act. Thus, the BVI Companies Act gives effective recognition to the concept of a derivative action.
- (b) Where a minority shareholder seeks to restrain a threatened breach of any provision in the Memorandum or Articles of Association of a company.
- (c) Where a minority shareholder seeks (i) a declaration that a resolution amending the Memorandum or Articles of Association of a company, although passed in proper form, is invalid because the amendment was not made in good faith and for the benefit of the members of the company as a whole and (ii) an injunction to restrain the company from giving effect to the amended Memorandum or Articles of Association of the company. The basic principle is that the power to amend the Memorandum and Articles of Association

must be exercised not only in the manner required by law but also bona fide for the benefit of the company as a whole. With respect to amendments to the Memorandum and Articles of Association of a company, the situation may be summarised as follows:

- (i) It is not necessary to prove that any member will derive any particular advantage from a particular amendment of the Memorandum or Articles of Association in order to uphold the amendments.
 - (ii) The fact that some members suffer a detriment in consequence of the amendments does not inevitably make it void, but if an amendment clearly discriminates between members of the same class by giving a privilege to some or imposing a detriment on others, it is void.
 - (iii) The amendments must be made in good faith and the members who vote for them must not be guilty of fraud or oppression toward a minority.
 - (iv) The amendments must be for the benefit of any individual hypothetical member which means that any member must be equally likely to benefit from it or to be burdened by it as any other member.
- (d) Where, in the case of Articles of Association specifying that certain actions must be resolved by a resolution with a super-majority, whether called a special resolution, extraordinary resolution or any other name, a minority shareholder seeks to have a resolution passed with a simple majority declared void and to restrain the company from acting on it because it should have been passed with the super-majority but has not been so passed.
- (e) Where a minority shareholder seeks by a representative action to restrain the company from doing an act which is contrary to the BVI Companies Act or the general law.
- (f) Where a company has by resolution of shareholders resolved validly that a certain thing should or should not be done and a minority shareholder brings a representative action to restrain the company from taking the action which conflicts with the resolution and which, if not restrained, would produce irreversible results without there being time for a further resolution of members to reverse the previous decision.

With respect to the oppression of a minority referred to above, this need not amount to a tort or civil wrong at common law, but it must involve an unconscionable use of the majority shareholders' power resulting, or likely to result, either in financial loss or in unfair or discriminatory treatment of the minority shareholders, and it must be more serious than the failure of the majority to act in the interests of the company as a whole.

With respect to the necessary standing for a member to bring a minority action, members who are temporarily or permanently deprived of voting rights by the Memorandum or Articles of Association may nevertheless bring a representative or derivative action to challenge a resolution or action of the voting members if it would defeat or frustrate the purpose for which the company was formed by disposing of the assets of the company in a way which is not ultra vires but nevertheless incompatible with achieving the company's main objects.

(f) Management

Subject to any limitations or provisions to the contrary in its Memorandum or Articles of Association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 per cent. of the assets of a company, if not made in the usual or ordinary course of business carried on by the company, must be approved by a resolution of members. Otherwise, the BVI Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it does require that every officer, director, agent and liquidator of a company in performing his functions shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a

reasonably prudent person would exercise in comparable circumstances. Furthermore, the BVI Companies Act requires that every officer should comply with the BVI Companies Act and the Memorandum and Articles of Association of the company.

(g) Accounting and Auditing Requirements

The BVI Companies Act requires a company to keep such accounts and records as the directors consider necessary or desirable in order to reflect the financial position of the company.

(h) Exchange Control

The BVI Companies Act does not subject a company to any exchange control requirements.

(i) Taxation

A company, its dividends, interest, rents, royalties, compensation and other amounts paid by the company to persons who are not persons resident in the BVI and capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI, are all exempt from all provisions of the Income Tax Ordinance in the BVI.

(j) Stamp Duty

All instruments relating to transfers of property to or by a company, all instruments relating to transactions in respect of shares, debt obligations or other securities of a company and all instruments relating to transactions relating to the business of a company are exempt from the payment of stamp duty.

(k) Inspection of Corporate Records

Members of the general public, on a payment of a nominal fee, can inspect the public records of a company available at the office of the Registrar of Companies in the BVI which will include the company's Certificate of Incorporation, its Memorandum and Articles of Association (with any amendments) and the records of licence fees paid to date and will also disclose any Articles of Dissolution, Articles of Merger, correspondences, etc., and a Register of Mortgages, Charges and Other Encumbrances. Although the creation of the said Register is optional, in practice it is normally available for inspection on file at the Companies Registry where a company has created an encumbrance of any kind over its assets.

A member of a company may in person or by attorney and in furtherance of a proper purpose request in writing, specifying the purpose, to inspect during normal business hours the share register of the company or the books, records, minutes and consents kept by the company and to make copies or extracts therefrom. The BVI Companies Act states that a proper purpose is a purpose reasonably related to the members' interest as a member. If the request is submitted by an attorney for a member, the request must be accompanied by a power of attorney authorising the attorney to act for the member. If a company, by a resolution of directors, determines that it is not in the best interests of a company or of any other member of the company to comply with the request, the company may refuse the request. Upon refusal by the company of a request, the member may, before the expiration of a period of 90 days of his receiving notice of the refusal, apply to the courts for an order to allow the inspection.

A company shall keep minutes of all meetings of directors, members, committees of directors, committees of officers and committees of members and copies of all resolutions consented to by directors, members, committees of directors, committees of officers and committees of members. The books, records and minutes required by the BVI Companies Act shall be kept at the registered office or at the such other place as the directors determine.

A company shall cause to be kept one or more registers to be known as share registers containing, *inter alia*, the names and addresses of the persons who hold registered shares in the company, in the case of shares issued to bearer, the total number of each class and series of shares issued to the bearer, etc. The share register may be in any form as the directors may approve but, if it

is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents and a copy of the share register commencing from the date of registration of the company shall be kept at the registered office of the company.

(I) Winding-Up

A company that has never issued shares may commence winding-up by a resolution of directors. Subject to any limitations or provisions to the contrary in its Memorandum and Articles of Association, a company that has issued shares may commence winding-up by a resolution of the directors or shareholders. Once the winding-up has commenced, the directors' powers are limited to authorising the liquidator, by a resolution of the directors, to carry on the business of the company and to determining to rescind the Articles of Dissolution.

A company may, by submitting a copy of a directors' or members' resolution to the Registrar, rescind the Articles of Dissolution. Within 30 days of the rescission, a notice, stating that the company has rescinded the Articles of Dissolution, must be placed in the Gazette, in a local paper and a publication in the country where the company has its principal office. However, once the certificate of dissolution has been given, the dissolution cannot be rescinded.

If, at the time of passing the resolution to wind-up the company, the directors or members have, or the liquidator after his appointment has, reason to believe that the company will be unable to discharge all claims, debts, liabilities and obligations in full, notice of such should be immediately given to the Registrar of Companies. In such cases, the winding-up continues in accordance with the Companies Act Cap 285 (the "Companies Act").

The courts have certain authority to wind-up a company and this is done in accordance with the provisions of the Companies Act.

APPENDIX III

TERMS OF THE DEL MONTE PACIFIC EXECUTIVE STOCK OPTION PLAN

1. NAME OF THE SCHEME

The Scheme shall be called the “Del Monte Pacific Executive Stock Option Plan 1999”.

2. DEFINITIONS

2.1 Unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Act”	The International Business Companies Ordinance, Chapter 291 of the laws of the British Virgin Islands as amended or modified from time to time
“Adoption Date”	The date on which the Scheme is adopted by the Company in general meeting
“Aggregate Subscription Cost”	The total amount payable for the Shares to be subscribed for on the exercise of an Option
“Auditors”	The auditors for the time being of the Company
“Board”	The board of directors of the Company
“CDP”	The Central Depository (Pte) Limited
“Committee”	A committee comprising directors of the Company duly authorised and appointed by the Board to administer the Scheme
“Company”	Del Monte Pacific Limited, a company incorporated in the British Virgin Islands
“Controlling Shareholder”	A Group Executive Director or a Group Non-Executive Director who, in relation to the Company, has control
“Depository Agent”	An entity registered as a depository agent with CDP for the purpose of maintaining securities sub-accounts for its own account and for the account of others
“Grantee”	A person to whom an offer of an Option is made
“Group”	The Company and its subsidiaries
“Group Executive”	A person falling within any of the classifications stated in Rule 4.1(a) hereof
“Group Executive Director”	A director of the Company who performs an executive function
“Group Non-Executive Director”	A director of the Company who is not a Group Executive Director
“IPO”	The listing of the Shares on the SES
“IPO Option”	The right to subscribe for Shares granted pursuant to the Scheme at Listing Date and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 7.2

“Listing Date”	The date of admission of the Company to the Official List of the SES
“market day”	A day on which the SES is open for trading in securities
“Market Price Option”	The right to subscribe for Shares granted pursuant to the Scheme which shall not be earlier than after one year from Listing Date and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 7.1
“Offering Date”	The date on which the offer of the grant of an Option is made pursuant to Rule 6.1
“Option”	A Market Price Option or an IPO Option, as the case may be
“Option Period”	The period for the exercise of an Option, being: <ul style="list-style-type: none"> (a) in the case of a Market Price Option, a period commencing after the second anniversary of its Offering Date and expiring on the tenth anniversary of such Offering Date, subject (in each case) as provided in Rules 8 and 9 and any other conditions as may be introduced by the Committee from time to time; (b) in the case of an IPO Option, a period commencing after the first anniversary of its Offering Date and expiring on the tenth anniversary of such Offering Date subject (in each case) as provided in Rules 8 and 9 and any other conditions as may be introduced by the Committee from time to time
“Participant”	The holder of an Option
“Rules”	The rules of the Scheme, as the same may be amended from time to time
“Scheme”	The Del Monte Pacific Executive Share Option Plan 1999, as modified or altered from time to time
“SES”	The Stock Exchange of Singapore Limited
“Shares”	Ordinary shares of US\$0.01 each in the capital of the Company
“Subscription Price”	The price at which a Grantee shall subscribe for each Share upon the exercise of an Option as determined in accordance with Rule 7.1 in relation to a Market Price Option, and Rule 7.2 in relation to an IPO Option
“subsidiary”	A company in which at least 50 per cent. of its shares is held by the Company and over which the Company has control
“trading day”	A day on which Shares are traded on the SES
“US\$”	United States dollars
“per cent.”	Per centum

2.2 For the purposes of the Scheme:

- (a) in relation to a company (including, where the context requires, the Company), “control” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company;
- (b) unless rebutted, a person who holds directly or indirectly, a shareholding of 15 per cent. or more of the Company’s issued share capital shall be presumed to be a Controlling Shareholder; and
- (c) in relation to a Controlling Shareholder, his “associate” means his parent, sibling, spouse, or child (including adopted or step child).

2.3 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.

2.4 Words importing the singular number shall include the plural number where the context admits and *vice versa*. Words importing the masculine gender shall include the feminine gender where the context admits.

2.5 Any reference to a time of day shall be a reference to Singapore time.

3. OBJECTIVES

The Scheme is a share incentive scheme. The purpose of the Scheme is to provide an opportunity for Group Executives to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance. The Scheme is proposed on the basis that it is important to acknowledge the contribution of the Group Executives to the well-being and prosperity of the Group. The Company, by adopting the Scheme, will give these Group Executives a real and meaningful stake in the Company at no direct cost to its profitability and will help to achieve the following objectives:

- (a) the motivation of Participants to optimise standards and efficiency and to maintain a high level of contribution;
- (b) the retention of key Group Executives whose contributions are important to the long term growth and prosperity of the Group;
- (c) the attainment of harmonious employer/staff relations, as well as the strengthening of working relationships with the Group’s close business associates; and
- (d) the development of a participatory style of management which instills loyalty and a stronger sense of identification with the long term prosperity of the Group.

4. ELIGIBILITY

4.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

- (a) Group Executives:
 - (i) senior managers and officers of the Company at Hayes Level 12 and above;
 - (ii) senior managers and officers of the Company’s subsidiaries at Hayes Level 12 and above;
 - (iii) directors of the Company; and
 - (iv) directors of the Company’s subsidiaries.

- (b) Controlling Shareholders and their associates:

subject to Rule 4.2, persons who qualify under (a) above and who are also Controlling Shareholders and their associates.

- 4.2 Persons who are Controlling Shareholders or their associates shall (notwithstanding that they may meet the eligibility criteria in Rule 4.1(a)) not participate in the Scheme unless:

- (a) their participation; and

- (b) the actual number of Shares and terms of any Option to be granted to them

have been approved by independent shareholders of the Company in a general meeting in separate resolutions for each such person.

- 4.3 There shall be no restriction on the eligibility of any Grantee or Participant to participate in any other share option or share incentive schemes implemented by any other companies within the Group.

5. LIMITATIONS UNDER THE SCHEME

- 5.1 The aggregate number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of all Options granted under the Scheme, shall not exceed 10 per cent. of the total issued Shares of the Company on the day preceding that date. The Committee may offer IPO Options in conjunction with the listing of the Shares on the SES, provided that the aggregate number of Shares which may be offered through IPO Options shall not exceed 10 per cent. of the total number of Shares available under the Scheme.

- 5.2 The aggregate number of Shares comprised in Market Price Options or, as the case may be, IPO Options, to be offered to any Group Executive in accordance with the Scheme shall be determined at the absolute discretion of the Committee, which shall take into account, in respect of a senior manager and/or officer at Hayes Level 12 and above, criteria such as the rank, the past performance, number of years of service and potential for future development of that Group Executive and, in respect of a director, his contribution to the success and development of the Group, provided that any IPO Options or, as the case may be, any Market Price Options, to be granted shall be approved by the Committee in a separate resolution for each Group Executive.

- 5.3 In relation to Group Executives who are also Controlling Shareholders or their associates:

- (i) the aggregate number of Shares which may be offered by way of grant of Options to Controlling Shareholders or their associates collectively under the Scheme shall not exceed 25 per cent. of the total number of Shares available under the Scheme;

- (ii) any Options to be granted to a Controlling Shareholder or his associate shall not exceed 10 per cent. of the aggregate number of Shares available to Controlling Shareholders or their associates collectively under the Scheme; and

- (iii) before any Option is granted to a Controlling Shareholder or his associate, the relevant approval must have been obtained pursuant to Rule 4.2 in relation to such person.

6. GRANT AND ACCEPTANCE OF OPTIONS

- 6.1 The Committee may, subject as provided in Rule 11, grant Options at any time, provided that IPO Options may be granted on or prior to the Listing Date while Market Price Options may be granted only after the lapse of one year from the Listing Date and, provided further, that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Options may only be granted on or after the fifth market day from the date on which the aforesaid announcement is released.

- 6.2 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A-1 (in relation to an IPO Option) and in the form set out in Schedule A-2 (in relation to a Market Price Option), subject in each case to such modification as the Committee may from time to time determine.
- 6.3 An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.
- 6.4 The grant of an Option under this Rule 6 shall be accepted within 30 days from the Offering Date of that Option and, in any event, not later than 5:00 p.m. on the thirtieth day from such Offering Date by completing, signing and returning the Acceptance Form in, or substantially in, the form set out in Schedule B-1 (in relation to a Market Price Option) and in the form set out in Schedule B-2 (in relation to an IPO Option), subject in each case to such modification as the Committee may from time to time determine, accompanied by payment of US\$1.00 as consideration.
- 6.5 If a grant of an Option is not accepted in the manner as provided in Rule 6.4, such offer shall, upon the expiry of the 30 day period, automatically lapse and become null, void and of no effect.

7. SUBSCRIPTION PRICE

- 7.1 Subject to any adjustment pursuant to Rule 11, the Subscription Price for each Share in respect of which a Market Price Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at a price (the "Market Price") equal to the average of the last dealt prices for a Share, as determined by reference to the Financial News published by the SES, for the three consecutive trading days immediately preceding the Offering Date of that Option, rounded up to the nearest whole cent, less a discount to be fixed by the Committee prior to the offer of the Market Price Option which in no case shall exceed 20 per cent. of the Market Price.
- 7.2 The Subscription Price for each Share in respect of which an IPO Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at a price equal to the price at which the Shares are offered to the public pursuant to the IPO (the "IPO Price") less a discount of 20 per cent.
- 7.3 In no event shall the Subscription Price be less than the nominal value of a Share. Where the Subscription Price is less than the nominal value of a Share, the Subscription Price shall be the nominal value.

8. RIGHTS TO EXERCISE OPTIONS

- 8.1 Subject as provided in this Rule 8 and Rule 9, each Option shall be exercisable, in whole or in part, during the Option Period applicable to that Option provided that, in relation to any Option Period, the right to subscribe for Shares shall be subject to the following restrictions:
 - (a) In the case of an IPO Option:
 - (i) on or after the first but before the second year of the Option Period, the Participant may exercise the Option from time to time in respect of Shares constituting up to but not more than 30 per cent. of all the Shares comprised in that Option;
 - (ii) on or after the second but before the third year of the Option Period, the Participant may exercise the Option from time to time in respect of Shares constituting up to but not more than 60 per cent. of all the Shares comprised in that Option; and
 - (iii) on or after the third year of the Option Period, the Participant may exercise the Option from time to time in respect of Shares constituting the balance of the Shares comprised in that Option; and

- (b) In the case of a Market Price Option:
 - (i) on or after the first but before the second year of the Option Period, the Participant may exercise the Option from time to time in respect of Shares constituting up to but not more than 60 per cent. of all the Shares comprised in that Option; and
 - (ii) on or after the second year of the Option Period, the Participant may exercise the Option from time to time in respect of Shares constituting the balance of all the Shares comprised in that Option,

provided always that, in relation to any Option, if the Participant, during either of the periods specified in paragraphs as (a)(i), (a) (ii) and (b) (i) above, exercises that Option for such number of Shares which in aggregate represents less than the number of Shares for which the Participant is entitled to exercise in respect of such period, the balance of the Shares comprised in that Option for which the Participant could have exercised (but did not exercise) in that period shall be carried forward and added to the number of Shares (but shall not be taken into account in determining the number of Shares) which the Participant may exercise in the next succeeding period or periods.

- 8.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the Scheme until such time as it shall lapse in accordance with the Scheme.
- 8.3 An Option shall, to the extent unexercised, immediately lapse without any claim against the Company:
 - (a) subject to Rules 8.4 and 8.5, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or
 - (b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or
 - (c) in the event of any misconduct on the part of the Participant as determined by the Committee in its discretion.

For the purpose of Rule 8.3(a), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

- 8.4 If a Participant ceases to be employed by the Group by reason of his:
 - (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
 - (b) redundancy;
 - (c) retirement at or after the legal retirement age; or
 - (d) retirement before the legal retirement age with the consent of the Committee,

or any other reason approved in writing by the Committee, he may, at the discretion of the Committee, and subject to Rule 8.1 hereof, exercise any Option within the period of 60 days after the date of such cessation of employment or before the expiry of the Option Period in respect of that Option, whichever is earlier, and, upon expiry of such period, the Option shall lapse. Such Option may be exercised at any time, notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

- 8.5 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the discretion of the Committee, and subject to Rule 8.1 hereof, be exercised by the duly appointed personal representatives of the Participant within the period 60 days after his death or

before the expiry of the Option Period in respect of that Option, whichever is earlier, and upon the expiry of such period, the Option shall lapse. Such Option may be exercised at any time (and, in relation to an Incentive Option, at the Subscription Price applicable to that Option at the time of exercise), notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Option Period in respect of such Option.

8.6 If, for any reason whatsoever, a Participant, being a Group Non-Executive Director, ceases to be a director in the Group, any Option then held by him shall, to the extent unexercised, immediately lapse without any claim against the Company, unless otherwise determined by the Committee in its absolute discretion, subject to Rule 8.1 hereof. In exercising such discretion, the Committee may also determine the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Option Period applicable to such Option.

8.7 If a Participant ceases to be employed in the Group:

(a) by reason of the company in which he is employed ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company in the Group; or

(b) for any other reason, provided the Committee gives its consent in writing,

he may, at the absolute discretion of the Committee, and subject to Rule 8.1 hereof, exercise any Option then remaining unexercised within such period during the Option Period as may be determined by the Committee in its absolute discretion.

9. TAKE-OVER AND WINDING-UP OF THE COMPANY

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

(a) the expiry of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SES, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Option Period relating thereto); or

(b) the date of expiry of the Option Period relating thereto,

whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Articles of Association of the Company and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be.

9.2 If, under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 8 but subject to Rule 9.5, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.

- 9.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.
- 9.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Participant shall be entitled, within 30 days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto), to exercise any unexercised Option, after which such unexercised Option shall lapse and become null and void.
- 9.5 If, in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 9.
- 9.6 To the extent that an Option is not exercised within the periods referred to in this Rule 9, it shall lapse and become null and void.

10. EXERCISE OF OPTIONS

- 10.1 An Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in, or substantially in, the form set out in Schedule C-1 (in relation to a Market Price Option) and in the form set out in Schedule C-2 (in relation to an IPO Option), subject in each case to such modification as the Committee may from time to time determine. Such notice must be accompanied by a remittance for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, and the Aggregate Subscription Cost.
- 10.2 All payments made shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 10.3 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the Scheme and the Memorandum and Articles of Association of the Company, the Company shall, within 10 market days after the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.
- 10.4 The Company shall, as soon as practicable after such allotment, apply to the SES (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares.
- 10.5 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account maintained with a Depository Agent.
- 10.6 Shares allotted and issued on exercise of an Option shall be subject to all the provisions of the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant date upon which such exercise occurred, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.
- 10.7 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

11. VARIATION OF CAPITAL

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, sub-division or consolidation) shall take place, then:

- (a) the Subscription Price for the Shares, the nominal value, class and/or number of Shares comprised in the Option to the extent unexercised; and/or
- (b) the nominal value, class and/or number of Shares over which Options may be granted under the Scheme

shall be adjusted in such manner as the Committee may determine to be appropriate and, except in relation to a capitalisation issue, upon the written confirmation by the Auditors or other consultants (acting only as experts and not as arbitrators) that, in their opinion, such adjustment is fair and reasonable.

11.2 Notwithstanding the provisions of Rule 11.1, no such adjustment shall be made:

- (a) if, as a result, the Subscription Price shall fall below the nominal value of a Share and if such adjustment would but for this paragraph (a) result in the Subscription Price being less than the nominal value of a Share, in which case the Subscription Price payable shall be the nominal value of a Share; and
- (b) unless the Committee, after considering all relevant circumstances, considers it equitable to do so.

11.3 The following (whether singly or in combination) shall not be regarded as events requiring adjustment:

- (a) any issue of securities as consideration for an acquisition or a private placement of securities;
- (b) any increase in the number of issued Shares as a consequence of the exercise of options or other convertibles issued from time to time by the Company entitling holders thereof to acquire new Shares in the capital of the Company (including the exercise of any Options granted pursuant to the Scheme and any previous scheme(s));
- (c) any issue of Shares pursuant to any scrip dividend scheme for the time being of the Company; and
- (d) any reduction in the number of issued Shares as a result of the cancellation of issued Shares purchased by the Company by way of market purchase(s) effected on the SES pursuant to a share purchase mandate (or any renewal thereof) given by the shareholders of the Company in general meeting and for the time being in force.

11.4 Upon any adjustment required to be made pursuant to this Rule, the Company shall notify the Participant (or his duly appointed personal representatives, where applicable) in writing and deliver to him (or his duly appointed personal representatives, where applicable) a statement setting forth the Subscription Price thereafter in effect and the nominal value, class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

12. ADMINISTRATION OF THE SCHEME

12.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.

- 12.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it thinks fit.
- 12.3 Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final and binding unless otherwise appealed to the Board (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation or procedure thereunder or as to any rights under the Scheme).
- 12.4 All determinations or actions of the Committee with respect to the interpretation and/or implementation of the Scheme shall be by the affirmative vote of the majority of the members thereof or by way of a written instrument signed by a majority of the members of the Committee. In the latter case, the determination or actions so taken shall be as fully effective as if they had been taken by a vote of the majority of the members of the Committee at a meeting duly called and held. Only in the event of a tie shall the Chairman of the Committee be requested to cast his vote, otherwise, a simple majority of the members of the Committee shall suffice.

13. NOTICES

- 13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.
- 13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or the last known address of the Participant and, if sent by post, shall be deemed to have been given on the day following the date of posting.

14. MODIFICATIONS TO THE SCHEME

- 14.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:
- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in nominal amount of all the Shares which would be allotted upon exercise in full of all outstanding Options;
 - (b) the definitions of “Group”, “Group Executive”, “Group Executive Director”, “Group Non-Executive Director”, “Controlling Shareholder”, “Participant”, “Committee”, “Option Period”, “Grantee” and “Subscription Price” and the provisions of Rules 4, 5, 6, 7, 9, 10.1, 10.6, 12 and this Rule 14 shall not be altered to the advantage of Participants except with the prior approval of the Company’s shareholders in general meeting; and
 - (c) no modification or alteration shall be made without the prior approval of the SES, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.
- 14.2 Notwithstanding anything to the contrary contained in Rule 14.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SES) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the regulations of any regulatory or other relevant authority or body (including the SES).
- 14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant (who is a Group Executive) shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. DURATION OF THE SCHEME

16.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

16.2 The Scheme may be terminated at any time by the Committee or by ordinary resolution of the Company in general meeting subject to all relevant approvals which may be required and, if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.

16.3 The termination of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 6.4, whether such Options have been exercised (whether fully or partially) or not.

17. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

18. COSTS AND EXPENSES

18.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP or the Participant's securities sub-account with a CDP Depository Agent.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

19. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SES in accordance with Rule 10.4 (and any other stock exchange on which the Shares are quoted or listed).

20. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

21. GOVERNING LAW

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

DEL MONTE PACIFIC EXECUTIVE STOCK OPTION PLAN 1999

LETTER OF OFFER
(IPO OPTION)

Serial No: _____

[Date]

To: [Name]
[Designation]
[Address]**Private and Confidential**

Dear Sir/Madam,

We have the pleasure of informing you that you have been nominated by the Board of Directors of Del Monte Pacific Limited to participate in the Del Monte Pacific Executive Stock Option Plan 1999 (the "Scheme"). Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of US\$1.00, an offer is hereby made to grant you an IPO Option, to subscribe for and be allotted _____ Shares at the price of US\$ _____ for each Share.

The Subscription Price is after a discount of 20 per cent. of the IPO Price.

*If you accept the offer, the Option Period and number of Shares comprised in the Option which are exercisable will be as follows:

Option Period	Option exercisable in respect of the number of Shares comprised in the Option
From _____ to _____	(i) up to 30 per cent.
From _____ to _____	(ii) up to 60 per cent. (including (i) above)
After _____	(iii) 100 per cent.

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee duly authorised and appointed to administer the Scheme.

The Option shall be subject to the terms of the Scheme, a copy of which is enclosed herewith.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of US\$1.00 not later than 5:00 p.m. on _____, failing which this offer will lapse.

Yours faithfully

* *Conditions (if any) to be attached to the exercise of the Option will be determined by the Committee at its absolute discretion.*

DEL MONTE PACIFIC EXECUTIVE STOCK OPTION PLAN 1999

LETTER OF OFFER
(MARKET PRICE OPTION)

Serial No: _____

[Date]

To: [Name]
[Designation]
[Address]**Private and Confidential**

Dear Sir/Madam,

We have the pleasure of informing you that you have been nominated by the Board of Directors of Del Monte Pacific Limited to participate in the Del Monte Pacific Executive Stock Option Plan 1999 (the "Scheme"). Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of US\$1.00, an offer is hereby made to grant you a Market Price Option (the "Market Price Option"), to subscribe for and be allotted ____ Shares at a price of US\$ _____ for each Share.

The Subscription Price is after a discount of not more than 20 per cent. of the Market Price.

*If you accept the offer, the Option Period and number of Shares comprised in the Option which are exercisable will be as follows:

Option Period	Option exercisable in respect of the number of Shares comprised in the Option
From _____ to _____	(i) up to 60 per cent.
After _____	(ii) 100 per cent.

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee duly authorised and appointed to administer the Scheme.

The Option shall be subject to the terms of the Scheme, a copy of which is enclosed herewith.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of US\$1.00 not later than 5:00 p.m. on _____, failing which this offer will lapse.

Yours faithfully,

* *Conditions (if any) to be attached to the exercise of the Option will be determined by the Committee at its absolute discretion.*

DEL MONTE PACIFIC EXECUTIVE STOCK OPTION PLAN 1999

**ACCEPTANCE FORM
(MARKET PRICE OPTION)**

Serial No: _____

To: The Committee
 Del Monte Pacific Executive Stock Option Plan 1999
 Del Monte Pacific Limited
[Address]

Closing Date for Acceptance of Offer: _____

Number of Shares Offered: _____

Subscription Price for each Share: US\$ _____

Total Amount Payable: US\$ _____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the Market Price Option to subscribe for _____ Shares at a price of US\$ _____ for each Share and enclose cash for US\$1.00 as consideration for the Option.

I understand that I am not obliged to exercise the Option.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* *Delete accordingly*

DEL MONTE PACIFIC EXECUTIVE STOCK OPTION PLAN 1999

ACCEPTANCE FORM
(IPO OPTION)

Serial No: _____

To: The Committee
 Del Monte Pacific Executive Stock Option Plan 1999
 Del Monte Pacific Limited
 [Address]

Closing Date for Acceptance of Offer: _____

Number of Shares Offered: _____

Subscription Price for each Share: US\$ _____

Total Amount Payable: US\$ _____

I have read your Letter of Offer dated _____ and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the IPO Option to subscribe for _____ Shares at a price of US\$ _____ for each Share and enclose cash for US\$1.00 as consideration for the Option.

I understand that I am not obliged to exercise the Option.

I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* Delete accordingly

DEL MONTE PACIFIC EXECUTIVE STOCK OPTION PLAN 1999

**FORM OF EXERCISE OF OPTION
(MARKET PRICE OPTION)**

Total number of ordinary shares of US\$0.01 each (the "Shares") offered at US\$ _____ for each Share under the Scheme on _____

(Offering Date): _____

Number of Shares previously allotted thereunder: _____

Outstanding balance of Shares to be allotted thereunder: _____

Number of Shares now to be subscribed: _____

To: The Committee
Del Monte Pacific Executive Stock Option Plan 1999
Del Monte Pacific Limited
[Address]

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the Market Price Option to subscribe for _____ Shares in Del Monte Pacific Limited (the "Company") at US\$ _____ for each Share.
2. I enclose a *cheque/cashier's order/banker's draft/postal order no. _____ for US\$ _____ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the Del Monte Pacific Executive Stock Option Plan 1999 and the Memorandum and Articles of Association of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. **I request the Company to allot and issue the said Shares referred to in paragraph 1 above in the name of The Central Depository (Pte) Limited (the "Depository") and to deliver to the Depository the certificate(s) for the Shares for credit to my securities account as specified below and I hereby agree to bear such fees or other charges as may be imposed by the Depository and any stamp duty payable in respect thereof:**

*(i) Direct Securities Account No.: _____
or _____

*(ii) Sub-Account No. and Name of Depository Agent

Sub-Account No.: _____

Name of Depository Agent: _____

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* *Delete accordingly*

DEL MONTE PACIFIC EXECUTIVE STOCK OPTION PLAN 1999

FORM OF EXERCISE OF OPTION
(IPO OPTION)

Total number of ordinary shares of US\$0.01 each (the "Shares") offered at US\$_____ for each Share under the Scheme on _____

(Offering Date): _____

Number of Shares previously allotted thereunder: _____

Outstanding balance of Shares to be allotted thereunder: _____

Number of Shares now to be subscribed: _____

To: The Committee

Del Monte Pacific Executive Stock Option Plan 1999

Del Monte Pacific Limited

[Address]

1. Pursuant to your Letter of Offer dated _____ and my acceptance thereof, I hereby exercise the IPO Option to subscribe for _____ Shares in Del Monte Pacific Limited (the "Company") at US\$_____ for each Share.
2. I enclose a *cheque/cashier's order/banker's draft/postal order no. _____ for US\$ _____ by way of subscription for the total number of the said Shares.
3. I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, and the Memorandum and Articles of Association of the Company.
4. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.
5. **I request the Company to allot and issue the said Shares referred to in paragraph 1 above in the name of The Central Depository (Pte) Limited (the "Depository") and to deliver to the Depository the certificate(s) for the Shares for credit to my securities account as specified below and I hereby agree to bear such fees or other charges as may be imposed by the Depository and any stamp duty payable in respect thereof:**

*(i) Direct Securities Account No.: _____
or _____

*(ii) Sub-Account No. and Name of Depository Agent

Sub-Account No.: _____

Name of Depository Agent: _____

Please print in block letters

Name in full : _____

Designation : _____

Address : _____

Nationality : _____

*NRIC/Passport No. : _____

Signature : _____

Date : _____

* *Delete accordingly*

APPENDIX IV

DIVIDENDS AND TAXATION

Dividends

Subject to any limitations or provisions to the contrary in its Memorandum or Articles of Association, the Company may by a resolution of Directors declare and pay dividends. Dividends may only be declared and paid out of surplus and after a solvency determination has been made by the Directors. There can be a dividend of shares, that is bonus shares, in which case an appropriate amount of surplus (the par value of the bonus shares in aggregate) must be transferred to capital.

Taxation

The statements made herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in such laws, or in the interpretation of these laws, occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Prospective subscribers and purchasers of Shares are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership of or disposition of Shares including, in particular, the effect of any foreign state or local tax laws.

The Philippines

Under Philippine law, corporations are subject to both national and local taxation. The national government imposes corporate income taxes, estate and donor's taxes, value-added tax (VAT), excise tax, documentary stamp tax and other percentage taxes, while the local governments levy real property tax, graduated and fixed business tax, and other fees and charges. While domestic corporations are taxed on their worldwide taxable income, resident foreign corporations are taxed on their net taxable income derived from the Philippines. Taxable income is computed in accordance with GAAP, subject to adjustments required by provisions in the tax law. Under Republic Act No. 8424 (the "Act"), effective 1st January, 1998, domestic and resident foreign corporations are required to pay either the regular corporate income tax or the Minimum Corporate Income Tax ("MCIT"), which is equivalent to 2 per cent. of the corporation's gross income as of the end of the taxable year, whichever is higher. The excess of the MCIT over the regular corporate income tax is carried forward and credited against the normal corporate income tax for the three immediately succeeding taxable years.

On 11th December, 1997, the Act entitled "An Act Amending The National Internal Revenue Code, As Amended, And For Other Purposes" was signed into law to take effect as of 1st January, 1998. Among others, the Act includes the following significant revisions to the current rules of Philippine taxation:

1. a change in the corporate income tax rates from 35 per cent. in 1997 to 34 per cent. in 1998, 33 per cent. in 1999 and 32 per cent. in 2000 and onwards;
2. the imposition of minimum corporate income tax of 2 per cent. of gross income as defined;
3. the imposition on the employer of a final tax on the grossed up monetary value of fringe benefits granted to employees (except rank and file) at the following rate: 34 per cent. in 1998, 33 per cent. in 1999 and 32 per cent. in 2000 and onwards;
4. a reduction of the interest expense allowed as a deductible expense by an amount equivalent to a certain percentage of the interest income subjected to final tax as follows: 41 per cent. starting 1st January, 1998, 39 per cent. starting 1st January, 1999 and 38 per cent. starting 1st January, 2000 and onwards;

5. the introduction of a three-year net operating loss carry-over; and
6. the imposition of an improperly accumulated earnings tax of 10 per cent. on improperly accumulated earnings.

British Virgin Islands

The Company is an international business company (“IBC”) under the BVI Companies Act. The Company, all dividends, interest and other payments made by the Company to persons not resident in the BVI, and all capital gains realised with respect to interests in the Company by persons who are not resident in the BVI are exempt from all provisions of the BVI Income Tax Act. There is no liability to estate, inheritance, succession or gift tax in respect of interest held by a person in the Company. The transfer of Shares and the registration of such transfers in the Company’s share register will not attract any BVI stamp or registration taxes whether such transfers are executed in the BVI or elsewhere.

APPENDIX V

THE REPUBLIC OF THE PHILIPPINES

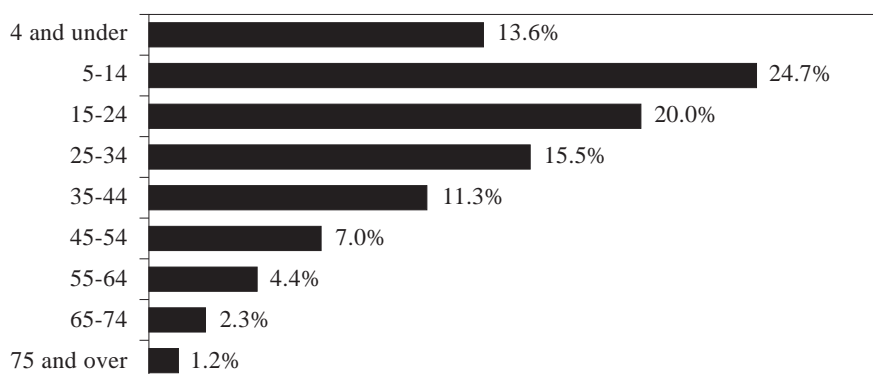
The information set out herein with respect to the Republic of the Philippines has been obtained from publicly available documents and information extracted from the Prospectus of the Republic of the Philippines in respect of US\$1,000,000,000 of bonds dated 7th January, 1999, none of which has been prepared or independently verified in connection with the Invitation. Neither the Company nor the Selling Shareholders will furnish to prospective subscribers or purchasers of Shares information with respect to the Republic of the Philippines other than the information set out in this Prospectus.

General

The Philippine archipelago comprises over 7,000 islands with a total land area of approximately 300,000 square kilometres. These islands are grouped into three geographic regions: Luzon, the largest island in the north covering an area of 141,395 square kilometres; the Visayas in the central region, covering an area of 55,606 square kilometres; and Mindanao in the south, covering an area of 101,999 square kilometres. Manila is the capital of the Philippines. As of December 1998, the population of the Philippines was approximately 75.2 million.

Like many developing countries, the Philippines has an age distribution that is weighted towards children and young adults. 58 per cent. of the population is under the age of 25 and 74 per cent. is under the age of 35.

Philippine Age Distribution



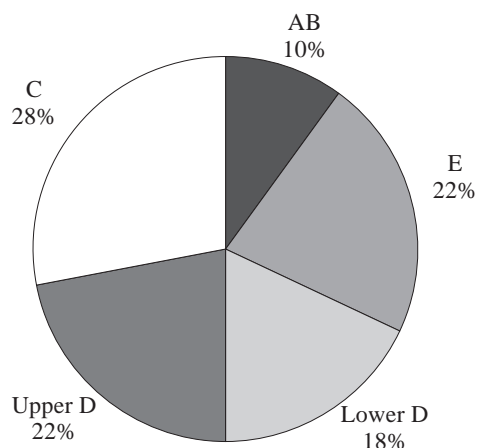
The Philippines is predominantly Roman Catholic with a small Muslim population, largely in Mindanao.

The Philippines is a low income country. The socio-economic profile of the country can be summarised by segmenting it into income groupings, being approximately:

AB	greater than US\$8,500 per annum
C	US\$3,401 – 8,500 per annum
Upper D	US\$2,001 – 3,400 per annum
Lower D	US\$1,300 – 2,000 per annum
E	less than US\$1,300 per annum

Approximately 40 per cent. of the population is in the Lower D and E groupings with income of less than US\$2,000 per annum. In 1997, the country had a savings rate of 19.2 per cent.

Philippine Income Groupings



Government

Since 1935, the Philippines has had three constitutions, the most recent of which was adopted in February 1987, after the change of government from the regime of Ferdinand E. Marcos, which had lasted for 20 years, to the administration of Corazon C. Aquino, who became President in February 1986. The ratification of the new Constitution in 1987 restored a presidential form of government composed of three branches: executive, legislative and judiciary. Executive power is exercised by the President who is elected by direct popular vote and may serve only a single term of six years. In May 1998, Joseph Estrada was elected President and Gloria Macapagal Arroyo was elected Vice President, in each case for a six-year term. Legislative authority is vested in the Congress of the Philippines, which consists of the Senate and the House of Representatives. Judicial power is vested in the Supreme Court and in such lower courts as may be established from time to time by law. Although a number of the policies and programmes of the previous administration are currently under review, the Estrada administration has indicated its commitment to continue the financial policies and market-oriented reforms implemented by the previous administration.

Economy

The Philippines has a mixed economy in which the government is directly engaged in certain economic activities through government owned and controlled corporations and government financial institutions. The Government actively encourages domestic and foreign private investment and has sought to establish a broader and more balanced base for economic development. Beginning in 1991, further liberalisation of trade and investment in the Philippines has been undertaken in tandem with the deregulation of the financial system, foreign exchange liberalisation, tax reforms, acceleration of privatisation, enhancement of competition in the provision and operation of public utilities and deregulation of the oil and power industries. The Government has taken these steps in conjunction with conservative fiscal and monetary policies in an effort to accelerate economic growth, contain inflation, create fiscal and external payment surpluses and increase foreign investor confidence.

The principal sectors of the Philippine economy are services, industry and agriculture (including fishery and forestry). At constant 1985 market prices, services accounted for 45.1 per cent. of gross domestic product ("GDP") in 1998, led by trade (15.6 per cent. of GDP), private and government services (12.4 per cent. of GDP), finance and housing (10.5 per cent. of GDP) and transportation, communications and storage (6.6 per cent. of GDP). In the industry sector, manufacturing has accounted for approximately 25.1 per cent. of GDP at constant market prices from 1994 to 1998. The contribution of the agriculture sector to the GDP of the Philippines at constant market prices has decreased from 22.4 per cent. in 1994 to 19.4 per cent. in 1998. In January 1999, 36.3 per cent. of the labour force was employed in agriculture, fishery and forestry.

Foreign trade plays a significant role in the Philippine economy. From 1994 to 1996, exports accounted for an average of approximately 22.3 per cent. of gross national product (“GNP”) of the Philippines, increasing in 1997 to approximately 29.4 per cent. of GNP. In 1998, exports accounted for approximately 43.2 per cent. of GNP. From 1994 to 1996, imports were equivalent to an average of approximately 34.0 per cent. of GNP, increasing in 1997 to approximately 42.4 per cent. of GNP. In 1998, imports amounted to approximately 43.3 per cent. of GNP. Total imports were US\$36.4 billion in 1997 and US\$29.5 billion in 1998. The Philippines continues to shift its trade strategy towards export promotion. The rapid expansion of export-oriented, labour-intensive manufacturing operations (such as electronics and textiles, which are the leading manufactured export products) increased total exports at an average annual rate of 21.6 per cent. from 1994 to 1998, reaching US\$29.5 billion in 1998. The Philippines is a major exporter of certain agricultural products, including pineapples.

Recent Developments

Since mid-1997, the economies of a number of Asian countries have experienced significant downturns. While the Philippines still achieved real GDP growth of 5.2 per cent. in 1997 and inflation for 1997 averaged 5.9 per cent., the lowest average rate in 10 years, the regional economic turbulence also affected the Philippine economy in a number of ways, including the depreciation of the Peso, an increase in interest rates, an increase in unemployment and inflation, increased volatility and a decline in prices in the domestic stock market, the downgrading of the Philippines’ local currency rating and the ratings outlook for the Philippine banking sector and the reduction of foreign currency reserves. These and other factors led to a slowdown in the growth of the Philippine economy in 1997 and 1998. Real GDP and real GNP for 1998 contracted by 0.5 per cent. and grew by 0.1 per cent., respectively, while per capita GDP and GNP contracted by 22.5 per cent. and 22.1 per cent., respectively. In 1998, the Government registered a budget deficit of ₱50 billion.

In the first quarter of 1999, real GDP grew by 1.2 per cent. year on year and real GNP grew by 2.0 per cent. The agricultural sector saw its output expand by 2.6 per cent. year on year, compared with the previous quarter’s 7.6 per cent. slump. The first quarter’s agricultural output was mainly boosted by rice and corn harvests.

The Government has adopted a number of measures designed to mitigate the effects of these developments on the Philippine economy, including measures to stabilise the Peso, manage domestic liquidity and strengthen the financial system.

The initial response of Bangko Sentral to the onset of the economic downturn in the Philippines was to attempt to slow the depreciation of the Peso by substantially increasing its sale of US dollars and raising its key interest rates. Subsequently, Bangko Sentral adopted a number of other policies, including the flotation of the Peso on 11th July, 1997 and the following measures:

- (i) in an effort to rationalise foreign exchange trading, new banking regulatory measures were implemented which include requiring prior Bangko Sentral approval for the sale of non-deliverable forward contracts to non-residents, tightening the overbought foreign exchange position of banks while relaxing the oversold foreign exchange position, imposing tighter rules in the computation of the foreign exchange position of banks, requiring consolidation of banks’ foreign exchange accounts with their subsidiaries and affiliates for purposes of calculating net open foreign exchange positions, and lowering the ceiling on OTC foreign exchange sales. In addition, Bangko Sentral introduced the currency risk protection programme to provide forward cover to eligible borrowers with unhedged foreign exchange liabilities to foreign currency deposit units (“FCDUs”);
- (ii) in an effort to tighten liquidity in the banking system and to control inflation as a result of the depreciation of the Peso, Bangko Sentral gradually raised liquidity reserve requirements and adjusted its key interest rates. As exchange rates stabilised in 1998, Bangko Sentral reduced its key interest rates, adjusted the composition of the reserve mix and decreased banks’ statutory reserve requirements to help reduce bank intermediation costs and induce lower interest rates; and

- (iii) Bangko Sentral has undertaken precautionary measures to strengthen the financial system, including placing a ceiling on loans to the property sector, prescribing a 30 per cent. liquid cover on all foreign exchange liabilities of FCDUs, introducing bank management quality guidelines, tightening the guidelines for determining past due loans, requiring a 2 per cent. general loan loss provision, increasing the minimum bank capitalisation requirement and improving disclosure in the banking system. Bangko Sentral has also submitted two bills to the Congress of the Republic of the Philippines; the first bill seeks to amend the General Banking Act of 1949 (the “General Banking Act”) to include provisions that would enable Bangko Sentral to adopt internationally accepted standards relating to risk-based capital requirements and clearly define unsound banking practices; the second bill seeks to amend certain provisions of the New Central Bank Act of 1993 (the “New Central Bank Act”) to strengthen the regulatory powers of Bangko Sentral by enhancing Bangko Sentral’s capability to supervise banks and its ability to address potential risks in the banking system.

In light of the continuing regional economic slowdown, in early September 1998 the Government decided to draw upon the US\$1.4 billion stand-by facility it had entered into with the International Monetary Fund (the “IMF”) in March 1998 following the Philippines’ exit from more than three decades of conditional lending by the IMF. Following its decision to draw upon the facility, the Government and the IMF agreed to certain revised macroeconomic targets to be met by the Philippines, including with respect to annual growth of GNP and the rate of inflation. The revised programme allows the Government to incur a budget deficit of up to ₱49.1 billion for 1998 and up to ₱68.4 billion for 1999. The Government and the IMF have also agreed that the Government will adopt four measures to improve the economy:

- (i) implement a measured fiscal stimulus package of additional Government expenditure, targeted to social services (particularly education, health and social welfare), agriculture and infrastructure, to minimise the impact of the economic slowdown on the most vulnerable sectors of the Philippine economy;
- (ii) continue to follow a conservative monetary policy to control inflation and stabilise the Peso;
- (iii) further improve the maturity profile of the Philippines’ external debt and increase international reserves; and
- (iv) vigorously pursue structural reforms such as increased transparency in the corporate sector, reform of financial sector taxation, further external and domestic trade liberalisation and the restructuring of the power and grain sectors.

The Government had a budget deficit of approximately ₱50 billion for 1998. In July 1999, the Government projected a budget deficit of ₱68 billion. In line with its policy to stimulate growth in the economy through additional expenditures, the Government has decided that it will allow the budget deficit for 1999 to be increased within the programme limits agreed with the IMF, subject to the Government’s ability to finance the increased deficit through borrowings from bilateral or multilateral creditors or other sources of external financing.

The IMF disbursed US\$278 million under the stand-by facility in November 1998, approximately US\$133 million in December 1998 and a further US\$129 million in February 1999.

In addition to the measures adopted specifically in response to the crisis, the Government has continued to implement structural reform programmes, such as (i) the enactment of the income tax component of the comprehensive tax reform package in December 1997 and (ii) the deregulation of the oil industry in February 1998 through the approval of the Downstream Oil Industry Deregulation Act of 1998. The World Bank has agreed in principle to provide an aggregate of US\$1.0 billion, comprising programme loans, project loans and lines of credit and the Asian Development Bank has agreed to provide US\$500 million in programme loans.

Summary Economic Information

	1994	1995	1996	1997	1998
	<i>(in billions, except as indicated) ⁽¹⁾</i>				
GDP (at current market prices) (₱)	1,693	1,906	2,172	2,424	2,662
GDP (at constant 1985 prices) (₱)	766	802	849	893	889
GDP per capita (at current market prices) (US\$)	934	1,055	1,152	1,118	866
GDP (growth rate at constant 1985 prices) (%)	4.4	4.7	5.8	5.2	(0.5)
GNP (growth rate at constant 1985 prices) (%)	5.3	4.9	7.2	5.3	0.1
Annual increase in consumer price index (1994=100) (%)	8.3	8.0	9.1	5.9	9.7
Unemployment rate (%)	9.5	9.5	8.6	8.7	10.1
Total Government revenues (₱)	336	361	410	472	463
Total Government expenditures (₱)	320	350	404	470	512
Surplus (deficit) of Government (₱)	16.3	11.1	6.3	1.6	(50.0)

	1994	1995	1996	1997	1998
	<i>(in US\$ millions, except as indicated)</i>				
Balance of payments:					
Goods trade — exports	13,483	17,447	20,543	25,228	29,496
Goods trade — imports ⁽²⁾	(21,333)	(26,391)	(31,885)	(36,355)	(29,524)
Services trade — receipts	10,550	15,412	19,006	22,835	13,917
Services trade — payments	(6,586)	(9,328)	(12,206)	(17,139)	(13,037)
Transfers (net)	936	880	589	1,080	435
Current account (deficit)	(2,950)	(1,980)	(3,953)	(4,351)	1,287
As a percentage of GNP (%)	(4.5)	(2.6)	(4.6)	(5.1)	1.9

Sources: National Statistics Office; National Statistical Coordination Board; Bureau of the Treasury; Department of Finance; Bangko Sentral.

- (1) Amounts in Pesos have been converted to US dollars using the average exchange rate for the applicable year or period.
- (2) Data was adjusted to: (a) exclude aircraft procured under operating lease arrangements amounting to US\$147 million for 1995, US\$542 million for 1996, US\$45 million for 1997 and US\$136 million for 1998 and (b) include US\$466 million worth of aircraft under capital lease arrangements for 1997.

APPENDIX VI

INDUSTRY AND MARKET BACKGROUND

The information set out herein with respect to the pineapple industry and other market information has been obtained from publicly available documents or from sources specified herein which have not been prepared or independently verified in connection with the Invitation. In addition, data published by the national and local governments and agencies in the Philippines are less complete and reliable than those of other more developed countries and there can be no assurance that official sources from which certain information in this Prospectus has been drawn are reliable. Philippine official statistics and information may also be produced on bases different from those used in more developed countries or other private sources. Any discussion of matters relating to the Philippines herein, based on information from official sources, is therefore subject to uncertainty about the completeness and reliability of available official and public information. Furthermore, the statistics and information contained herein, whether from official or private sources, may be compiled based on statistics and information from governmental agencies or private or other sources in or outside the Philippines, which may not be accurate or complete, or may be less reliable or complete than those of other more developed countries. Moreover, the pineapple industry and the other markets referred to herein, whether in the Philippines or the rest of the world, are influenced by a few producers and, accordingly, the statistics or information contained herein may not be complete or accurate. No information other than information set out herein will be provided to holders of Shares or prospective purchasers of Shares by the Company or the Selling Shareholders.

Background

Scientifically known as *Ananas comosus Merr.*, pineapples contain water, carbohydrates, substantial amounts of Vitamin C and potassium and other nutrients.

The commonly grown pineapples are (i) the Smooth Cayenne (or Hawaiian), which is the heaviest, most popular and the best for canning, (ii) the Queen (or African Queen or Formosa), which is the sweetest, (iii) the Red Spanish (or the Native Philippine Red), which is considered of medium quality and is grown for its fibre, and (iv) the Cabezona, which is the largest, measuring approximately 8 to 12 inches long when fully matured. Other varieties include the Buitenzorg or Java, Sugar, Loaf and Abakka. The pineapples produced by the Group are of the Smooth Cayenne variety.

Pineapple thrives over a wide range of soil and climatic conditions but the plant grows best at elevations of 150 to 240 metres above sea level, with a temperature of 24 to 30 degrees centigrade that should be relatively uniform throughout the year. Rainfall should be between 100 to 150 centimetres per annum and evenly distributed during the growing period for maximum yield. Soil should be well drained.

Pineapple Producing Countries

Thailand, Brazil, the Philippines, India and China are the five largest pineapple producing countries in the world. World production of pineapples increased by 1 per cent. from 1995 to 1996 and by 3 per cent. from 1996 to 1997. However, world production of pineapples decreased by 6 per cent. in 1998 to 12.1 million tonnes as a result of the droughts which affected producing countries during the El Niño phenomenon.

Pineapple Producing Countries ('000 metric tonnes)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>% share of total 1998 production</u>
Thailand	2,088	1,987	2,083	1,734	14.3%
Brazil	1,371	1,623	1,807	1,607	13.3%
Philippines	1,443	1,542	1,638	1,495	12.4%
India	1,060	1,100	1,100	1,100	9.1%
China	796	854	899	899	7.4%
Others	5,547	5,350	5,305	5,265	43.5%
World	12,305	12,456	12,832	12,100	100.0%

Source: Bureau of Agricultural Statistics, FAOSTAT

“Others” comprise 72 countries, the largest five of which accounted for 17.5 per cent. of the world’s 1998 pineapple production.

Worldwide 1998 Pineapple Supply Conditions

The worldwide changes in climatic conditions brought about by the El Niño phenomenon in 1997 and 1998 had an influence on the market for canned pineapple (also known as pineapple solids) in 1998, causing a general downturn in output among the major pineapple producers. Both the currency upheavals in Asia and reduced volumes of pineapple in 1997 had a marked effect on trade at the start of 1998 with many importers reporting delays on shipments. World production was subject to shortages and delay, leading to higher prices in the major markets.

Thailand, the world's largest pineapple exporter, was severely affected by drought (El Niño) and flooding (La Niña) in 1998, and is expected to face its biggest drought in decades in the second half of 1999. Water levels in the Bhumibol dam, the country's main supply, were reported to have dropped to a crisis point of only 3.7 billion cubic metres in January 1999.

As at the first quarter of 1999, demand for pineapples considerably exceeded supply. Political uncertainty in countries such as Indonesia and the reduction in the availability of containers throughout Southeast Asia exacerbated the effect.

The effect of the drought in 1997 and 1998 resulted in smaller fruit and multiple crowns. Small fruit leads to substantially reduced fruit recovery rates during processing.

Processed Pineapple and Mixed Fruit

Pineapple is one of the most widely traded tropical fruits. The United States is the world's largest importer of pineapple solids and canned mixed fruits.

Importing Countries of Pineapple Solids ('000 cartons of 24 cans of 20 ounces each ("24/2s"))

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>% share of total 1997 production</u>
United States	21,716	21,852	21,902	39.5%
Germany	7,230	8,686	7,833	14.1%
Netherlands	3,876	4,961	4,435	8.0%
Canada	5,533	4,357	4,067	7.3%
United Kingdom	3,500	3,843	3,588	6.5%
Others	15,009	16,811	13,594	24.5%
World	56,864	60,510	55,419	100.0%

Source: FOODNEWS

Importing Countries of Canned Mixed Fruits ('000 cartons of 24 cans of 29 ounces each ("24/2½s"))

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>% share of total 1997 production</u>
United States	2,321	2,295	2,566	20.5%
United Kingdom	1,835	1,912	1,884	15.1%
Germany	2,099	1,738	1,800	14.4%
France	1,662	1,833	1,764	14.1%
Canada	789	726	860	6.9%
Others	5,671	5,747	3,618	29.0%
World	14,377	14,251	12,492	100.0%

Source: FOODNEWS

In spite of a general improvement in world production during 1997, high prices and the strength of the US dollar still had a slowing effect upon trade in 1998. Total imports of pineapple solids by the United States fell by 8 per cent. to 18.1 million cartons in 1998 from 21.9 million cartons in 1997, well short of the 1993 peak of 25.2 million and the lowest level since 19.4 million in 1987.

The Philippines has overtaken Thailand as the largest pineapple solids supplier to the United States. However, deliveries from this source fell by 9 per cent. to 8.2 million cartons in 1998 from 9.3 million in 1997, well down from their peak of 9.5 million in 1994.

Imports of canned mixed fruit by the United States rose by 11 per cent. to 2.9 million cartons in 1998 against 2.6 million in 1997. Shipments from Thailand, the major supplier, rose by 12 per cent. to 1.8 million cartons from 1.4 million previously, while deliveries from the Philippines went up by 12 per cent. to 192,100 cartons in 1998 from 166,700 cartons the year before.

Fresh Pineapple Exports

Fresh pineapple exports are considerably less significant in scale than processed pineapples.

Fresh Pineapple Exporting Countries (metric tonnes)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>% share of total 1997 production</u>
Costa Rica	170,958	179,451	253,000	27.2%
Côte d'Ivoire	136,135	170,406	190,000	20.4%
Philippines	163,432	146,040	144,735	15.6%
France	44,254	77,181	85,445	9.2%
Belgium-Luxembourg	58,649	58,189	50,142	5.4%
Others	295,929	341,081	341,773	36.8%
World	766,454	836,978	929,508	100.0%

Source: Agribusiness Investment Information Service, FAOSTAT

"Others" comprise 66 countries, the largest five of which accounted for 22.5 per cent. of the world's 1997 total fresh pineapple exports. Export figures include fresh pineapples that have been re-exported.

Philippine Pineapple and Pineapple-Related Export Markets

In 1998, approximately 90 per cent. of the Philippines' total production of 1.5 million tonnes of pineapples came from northern and southern Mindanao.

The Philippines' principal exports of pineapple and pineapple-related products are pineapple solids, fresh pineapple, pineapple juice and pineapple concentrate and they represented approximately 46 per cent., 32 per cent., 11 per cent. and 11 per cent., respectively, of the total export volume of pineapple and pineapple-related products in 1998. In 1998, the Philippines recorded an export volume of 371,023 metric tonnes of pineapple products and a FOB value of US\$140.4 million. From 1960 to 1998, the volume of pineapple solid exports grew at a CAGR of 6 per cent., and their value grew at a CAGR of 4 per cent.

From 1960 to 1998, the country's largest export markets for pineapple and pineapple-related products have been the United States, Germany, Canada, the Netherlands, the United Kingdom and Japan. Today, the Philippines is the second largest supplier of pineapple solids in the world, next to Thailand.

Philippine Exports of Pineapple Solids

The reduction in exports of pineapple solids and pineapple concentrates in 1997 and 1998 was primarily due to the adverse weather conditions brought about by the El Niño, which reduced the amount of pineapples available for canning.

Philippine Pineapple Solids Export Markets (metric tonnes)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
United States	115,380	130,233	116,632	107,281
Japan	18,064	12,767	13,192	13,398
Canada	8,941	9,706	9,727	8,095
Germany	5,413	6,066	6,227	4,963
Netherlands	6,061	5,673	3,202	4,523
Others	37,790	39,040	36,316	31,099
Total	191,649	203,485	185,296	169,359

Source: Bureau of Agricultural Statistics

Philippine Exports of Fresh Pineapple

Since the country's exports of fresh pineapples are principally to Japan, the slow down in demand from the Japanese market has contributed to the decrease in exports. The changes in weather conditions brought about by the El Niño phenomenon in 1997 and 1998 also impacted the production and hence exports of fresh pineapples.

Philippine Fresh Pineapple Export Markets (metric tonnes)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Japan	122,777	111,645	115,839	97,539
Korea	25,566	19,202	18,263	13,325
Hong Kong	6,499	7,571	5,158	4,251
New Zealand	3,419	2,193	2,443	796
United Arab Emirates	285	3,063	1,028	682
Others	4,886	2,366	2,004	791
Total	163,432	146,040	144,735	117,384

Source: Bureau of Agricultural Statistics

Philippine Exports of Pineapple Juice and Pineapple Concentrates

Philippine Pineapple Juice Export Markets (metric tonnes)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
United States	48,176	44,718	38,765	37,784
Canada	2,138	2,781	2,776	2,479
Hawaii	526	417	727	337
Hong Kong	388	573	325	247
Japan	236	377	159	212
Others	1,582	2,155	1,305	1,071
Total	53,046	51,021	44,057	42,130

Source: Bureau of Agricultural Statistics

Philippine Pineapple Concentrate Export Markets (metric tonnes)

	1995	1996	1997	1998
United States	25,292	24,290	21,545	20,292
Netherlands	4,616	3,395	4,832	10,905
Japan	1,672	1,527	1,001	1,580
Thailand	434	79	397	1,343
Canada	1,788	1,586	2,232	1,146
Others	6,341	7,553	6,533	6,839
Total	40,143	38,430	36,540	42,105

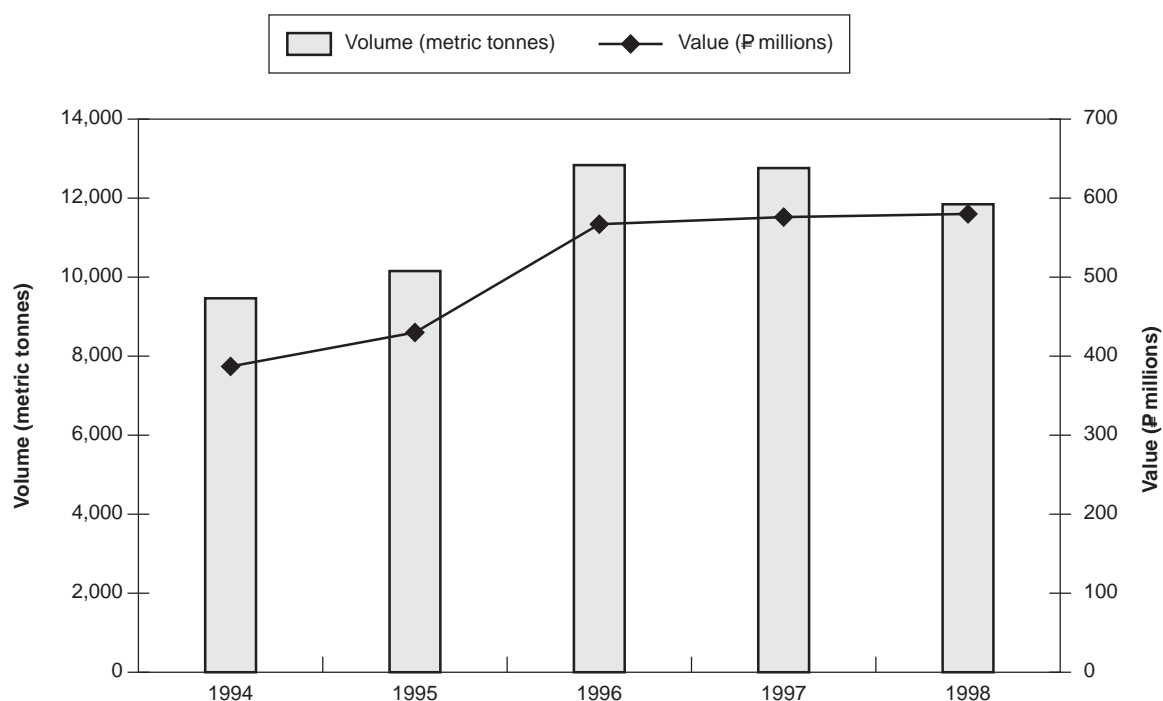
Source: Bureau of Agricultural Statistics

Philippine Pineapple Solids, Juice Drinks, Mixed Fruit and Tomato Sauce-Based Products Markets

The Group's base products in the Philippines are pineapple solids, ready-to-drink (RTD) juice and juice drinks (comprising pineapple and pineapple-based juice mixes and other juice drinks), mixed fruit and tomato-based sauce products (comprising tomato sauce and spaghetti sauce). The Group does not directly sell fresh pineapples in the domestic market.

Philippine Pineapple Solids Market

The pineapple solids market in the Philippines grew rapidly from 1994 to 1996 but has since flattened out due to the Asian financial turmoil in the second half of 1997 and 1998.

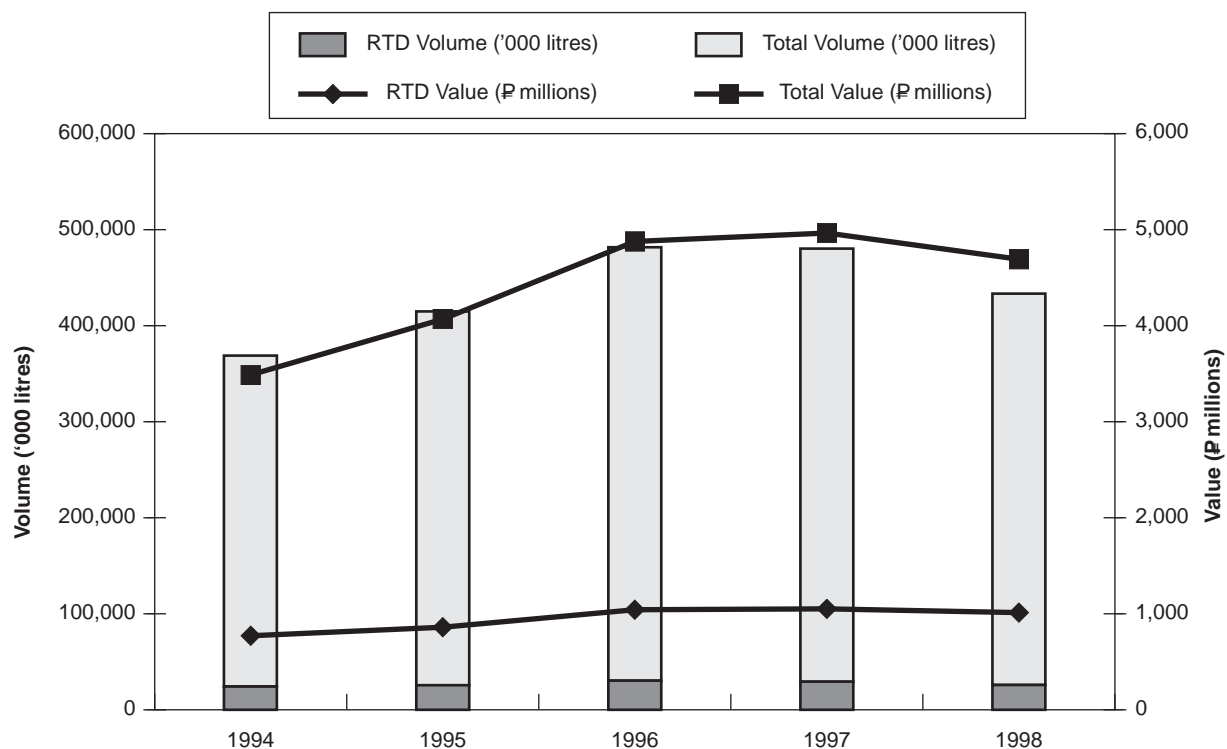


Source: AC Nielsen Retail Index

Pineapple Solids	1994	1995	1996	1997	1998
Volume (metric tonnes)	9,389	10,154	12,826	12,761	11,845
Value (₱ millions)	387	430	567	576	580

Philippine Juice and Juice Drinks Market

The increase in consumption of juice and juice drinks in the Philippines in 1994 to 1996 occurred against a background of increased advertising and promotional activities, the introduction of vitamins and other “health” nutrients into powdered juice drinks and the general strength of the Philippine economy. The RTD juice and juice drinks market was affected by the financial turmoil in 1997 and 1998 and showed a relatively steeper decline than sales of pineapple solids. This was primarily due to its larger market size comprising a higher proportion of lower income consumers who switched to purchasing cheaper juice drinks such as powdered beverages.



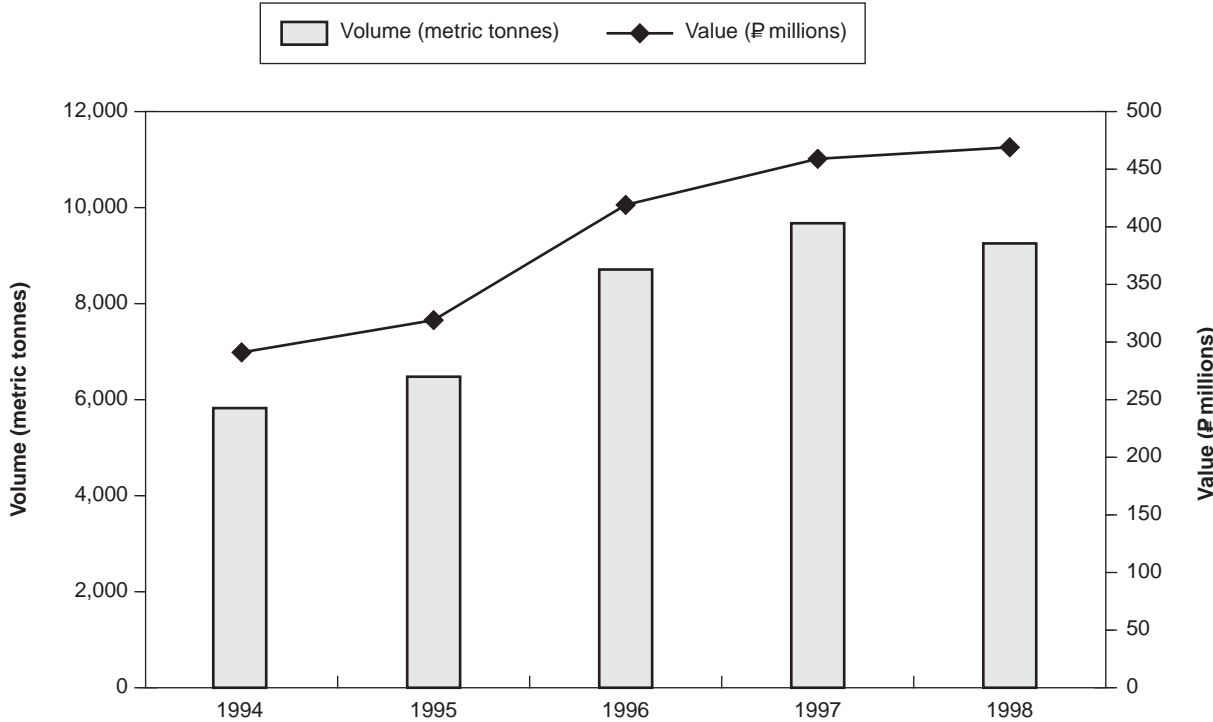
Source: AC Nielsen Retail Index

Juice and Juice Drinks	1994	1995	1996	1997	1998
Total Volume ('000 litres)	344,598	389,364	451,094	451,174	407,516
RTD Volume ('000 litres)	24,203	25,624	30,376	29,352	25,855
Total Value (₱ millions)	3,488	4,068	4,877	4,965	4,692
RTD Value (₱ millions)	771	860	1,042	1,051	1,012

Philippine Mixed Fruit Market

The mixed fruit market in the Philippines continued to be robust despite the financial crisis due to the following reasons:

- (a) demand has always exceeded supply. Even with the increased supply which drove market growth in 1996 and 1997, stock shortages were still noted during the Christmas season; and
- (b) many consumers have switched from imported to local fruit cocktail products. The currency crisis which commenced in the second half of 1997 caused imported fruit cocktail products prices to increase by more than 40 per cent. The price gap between imported and local products widened as a result from ₱10 per can in 1996 to ₱25 per can at the end of 1998.

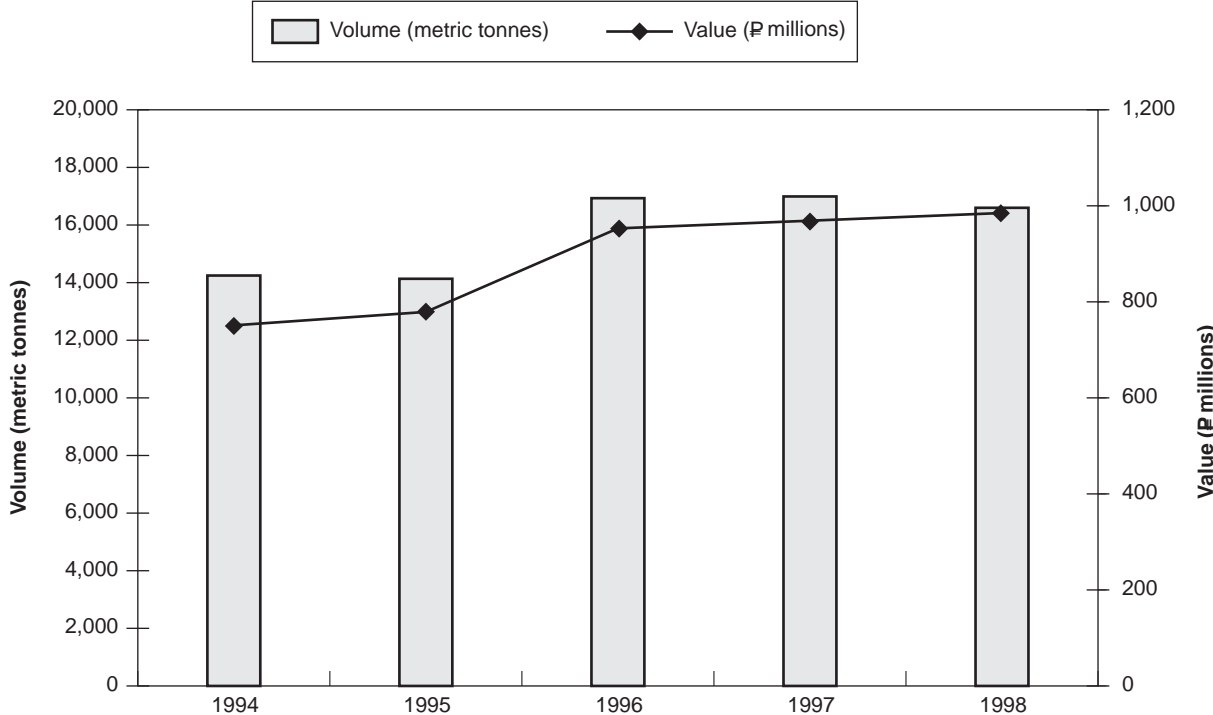


Source: AC Nielsen Retail Index

Mixed Fruits	1994	1995	1996	1997	1998
Volume (metric tonnes)	5,824	6,478	8,710	9,674	9,254
Value (₱ millions)	291	319	419	459	469

Philippine Tomato-Based Sauce Products Market

The tomato-based sauce products market in the Philippines, after many years of continued growth, has also flattened out in recent years due to the recent financial turmoil.



Source: AC Nielsen Retail Index

Tomato-Based Sauce Products	1994	1995	1996	1997	1998
Volume (metric tonnes)	14,247	14,194	17,057	17,204	16,518
Value (₱ millions)	751	779	953	969	985

APPENDIX VII

PHILIPPINE EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

On 1st April, 1992, the Philippine Dealing System (the "PDS") was introduced. The PDS is a computer network supervised by the BSP, through which the members of the Bankers Association of the Philippines ("BAP") effect spot and forward currency exchange transactions. A weighted average of all such spot transactions is calculated each day (the "PDS Reference Rate") and published by the Philippine media the following business day. The PDS became fully operational on 3rd August, 1992 and has been the venue for all foreign exchange transactions since then.

Prior to the operation of the PDS, the exchange rate between the Peso and the US dollar was determined by a 30 minute trading session on a trading floor maintained by the BSP. The weighted average of all trades during the trading session on a particular day constituted the BAP Reference Rate for foreign exchange transactions effected on the following day.

The following table sets out information concerning the PDS Reference Rate (and, prior to operation of the PDS, the BAP Reference Rate) between the Peso and the US dollar for the periods and dates included expressed in Pesos per US\$1.00.

	<u>Period End</u>	<u>Average⁽¹⁾</u>	<u>High</u>	<u>Low</u>
1992	₱25.10	₱25.51	₱26.65	₱23.21
1993	27.70	27.12	29.81	25.19
1994	24.42	26.42	27.85	23.75
1995	26.21	25.72	26.26	24.43
1996	26.29	26.22	26.32	26.12
1997	39.98	29.47	40.63	26.29
1998	39.06	40.89	45.42	36.99
1999 (up to 30th June).	38.02	38.35	39.46	37.57

Note:

(1) The average of all transactions completed during the relevant period.

Source: *Bangko Sentral*

Exchange Controls

Prior to 1st September, 1992, the government exercised strict exchange control in the Philippines. The issuance of Bangko Sentral Circular No. 1353 on this date effected the liberalisation of foreign exchange regulations. As a result and subject to certain conditions, residents (including foreign corporations operating in the Philippines) are, as a general rule, now allowed freely to buy and sell foreign currencies outside the banking system, and foreign exchange receipts, acquisitions or earnings may be deposited in foreign currency accounts, whether in the Philippines or abroad, or brought out of the Philippines. However, in order that foreign loans and foreign investments can be serviced with foreign exchange purchased from the banking system, the proceeds of such foreign loans and foreign investments are required to be sold to authorised agent banks for Philippine Pesos.

Under Presidential Decree 1246 and Bangko Sentral Circular No. 960, the foreign currency deposits of foreign lenders and investors covered by, and authorised under, these laws are considered absolutely confidential and may not be investigated without the written permission of the depositors. In addition, these deposits are exempt from attachment, garnishment or any other order or process of any court, legislative body, government agency or administrative body.

APPENDIX VIII

PHILIPPINE FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND OTHER APPLICABLE PHILIPPINE LAWS AND REGULATIONS

General

Following the adoption of the Foreign Investments Act of 1991 (FIA), the policy of the Philippine government has been to attract, promote and welcome productive foreign investments. Pursuant to this policy, investment incentives were formulated to encourage the establishment of enterprises that significantly expand livelihood and employment opportunities for Filipinos, enhance the economic value of farm products, expand the scope, quality and volume of exports and their access to foreign markets, and result in the transfer of technology in agriculture, industry and support services. In addition to instituting incentives for investment, the government has effected the liberalisation of foreign exchange regulation in order to further attract investors.

Restrictions on Foreign Investment

The FIA allows foreign ownership of up to 100 per cent. in most industries, except those specified in the Regular Foreign Investments Negative List (RFINL) as being reserved for Philippine nationals by virtue of a declaration in the Philippine Constitution or statutory law, or for reasons of security, defence, risk to health and morals and for the protection of small and medium-scale enterprises.

Private ownership of land is reserved to Philippine nationals, including domestic corporations owned at least 60 per cent. by Filipinos, and foreign corporations 100 per cent. owned by Philippine citizens and licensed to do business in this country. Foreigners may, however, own buildings on leased land.

Investment Incentives

The Board of Investments (BOI) is the primary government agency concerned with foreign investment in the Philippines. The Philippine Economic Zone Authority (PEZA) is the government agency responsible for evaluating applications to establish operations in the country's special economic zones.

The Omnibus Investments Code of 1987 integrates the Philippines' basic laws on investment and clarifies and harmonizes their provisions. The code presents a comprehensive set of incentives for domestic and foreign enterprises engaged in activities considered by the government to be high in priority for economic development.

The government offers incentives to encourage investment in desired businesses and to stimulate activities in specific areas of the Philippines. Among the entities which may register for and benefit from incentives are those engaged in preferred areas of activity as listed in the Investment Priorities Plan prepared by the BOI, firms registered with the PEZA, firms registered with special economic zones, regional headquarters of multinational corporations, and projects operating under the revised Build Operate and Transfer law and costing more than ₱1 billion.

Among the tax incentives given by the government are: (i) income tax holidays; (ii) exemption from taxes and duties on imported spare parts; (iii) tax exemptions, including exemptions from wharfage dues, from export taxes, duties, imposts and fees, and from taxes on breeding stocks and genetic materials; (iv) tax credits; and (v) additional deductions from taxable income from labour expenses and for necessary infrastructure work.

The non-tax incentives given are: (i) the authority to employ foreign nationals; (ii) simplification of customs procedures; (iii) the privilege to operate a bonded manufacturing or trading warehouse; and (iv) the authority to import consigned equipment for an unlimited period.

In addition to these incentives, the government offers incentives for specific enterprises, such as for regional and area headquarters, and for offshore banking units and for enterprises operating in the special economic zones.

Repatriation of Capital and Profits

Foreign investments need not be registered with the Bangko Sentral for purposes of repatriation of capital and earnings if the foreign currency will not be serviced through the banking system. The registration is evidenced by a Bangko Sentral Registration Document (CBRD), upon presentation of which the investor is entitled to full and immediate capital repatriation and dividend or interest remittance privileges without prior Bangko Sentral approval.

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