

COVER SHEET

CONCEPCION INDUSTRIAL CORPORATION
(formerly Concepcion Airconditioning Corporation)

Company's Full Name

308 Sen. Gil J. Puyat Avenue

Makati City, Philippines

Company's Address: No./Street/City/Town/Province

(02) 8772 1819

Company's Telephone Number

31 December

Fiscal Year Ending

(Month & Day)

DEFINITIVE INFORMATION STATEMENT

SEC Form 20-IS

FORM TYPE

_____	_____
Cashier	LCU

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(State "NONE" if that is the case)

CONCEPCION INDUSTRIAL CORPORATION
(formerly Concepcion Airconditioning Corporation)

NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Notice is hereby given that **CONCEPCION INDUSTRIAL CORPORATION** (formerly Concepcion Airconditioning Corporation) (the "Corporation") will conduct its Annual Stockholders' Meeting virtually via Zoom on 15 July 2020 at 10:30 a.m., at which meeting the following matters shall be taken up:

1. Call to Order;
2. Certification of Existence of Quorum;
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on 10 July 2019;
4. Report of the Chairman;
5. Approval of the Audited Financial Statements as of 31 December 2019;
6. Election of the members of the Board of Directors;
7. Appointment of External Auditor;
8. Ratification of Actions Taken by the Board of Directors and Officers;
9. Other Matters; and
10. Adjournment.

The record date for the determination of stockholders entitled to notice of, and to vote at, the said meeting is fixed at the close of business hours on 15 June 2020.

To ensure the health and wellbeing of our stockholders during this COVID-19 pandemic, stockholders may only attend the meeting by remote communication and/or vote *in absentia* or through the Chairman of the meeting as proxy. Stockholders who wish to participate by remote communication or vote *in absentia* or by proxy should notify the Corporate Secretary by email to cic.secretary@romulo.com on or before 3 July 2020.

All stockholders who wish to vote through a proxy or *in absentia* shall submit the duly signed proxies or ballots, as the case may be, to the Office of the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com not later than 3 July 2020. The proxies and ballots submitted shall be validated on 10 July 2020 at 2:00 p.m. We are not soliciting proxies.

The procedures for attending the meeting via remote communication and for casting votes *in absentia* are explained further in Annex "D" of the Information Statement. Further, the meeting shall be recorded in audio and video format and copies thereof shall be retained by the Corporation.


JAYSON L. FERNANDEZ
Corporate Secretary

AGENDA DETAILS AND RATIONALE

1. Call to Order

The Chairman of the board of directors (the "Board"), Raul Joseph A. Concepcion, will formally open the meeting at approximately 10:30 a.m.

2. Certification of Existence of Quorum

The Corporate Secretary, Atty. Jayson L. Fernandez, will certify that stockholders of record as of 15 June 2020 were notified of the meeting by way of publication in two newspapers of general circulation for two consecutive days, and the Information Statement and Management Report, and the 2019 Annual Report were posted on the Corporation's website, <https://cicasm2020.cic.ph/>, in accordance with the Securities and Exchange Commission ("SEC") Notice on Alternative Mode of Distributing and Providing Copies of the Notice of Meeting, Information Statement, and Other Documents in Connection with the Holding of Annual Stockholders' Meeting for 2020, dated 20 April 2020. The Corporate Secretary will also certify, based on the number of stockholders attending through remote communication and/or who voted *in absentia* or are represented by proxy at the meeting, whether a quorum exists for the valid transaction of business.

Further to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6, Series of 2020, the Corporation has set up an online and web meeting room which may be accessed by the stockholders to attend the meeting. A stockholder who participates by way of remote communication and votes *in absentia* or through a proxy, as provided herein, shall be deemed present for purposes of quorum.

The following are the rules and procedures for the conduct of the meeting:

- a. Stockholders may attend the meeting remotely *via* Zoom Meeting (<https://zoom.us/join>). The information necessary to attend the meeting, including the Zoom meeting ID and password, shall be sent via email to all shareholders who are able to register as required herein.
- b. Stockholders must notify the Corporate Secretary by email to **cic.secretary@romulo.com** of their intention to attend the meeting by remote communication to be included in determining quorum, together with the stockholders who intend to vote *in absentia* and by proxy.
- c. Registration to attend the meeting by remote communication and/or to vote *in absentia* and by proxy shall be open from 29 June 2020 to 3 July 2020. For purposes of validation, upon registration, stockholders must provide the following information and upload the documents listed below (the file size should be no larger than 5MB):
 - i. For Individual Stockholders:
 - a. Email Address
 - b. First and Last Name
 - c. Address
 - d. A valid and active Mobile / Phone Number
 - e. A scanned copy of the stockholder's valid government-issued ID with picture and signature
 - f. Additional requirement for Stockholders with joint accounts: A scanned copy of an authorization letter signed by all joint stockholders, identifying who among them is authorized to cast the vote for the account
 - ii. For Corporate Stockholders:
 - a. Email Address of the representative of the corporate stockholder
 - b. First and Last Name of the representative of the corporate stockholder
 - c. Address of the corporate stockholder
 - d. A valid and active Mobile / Phone Number of the representative of the corporate stockholder
 - e. A scanned copy of a valid government-issued ID of the representative of the corporate stockholder authorized to cast the vote for and on behalf of the corporate stockholder ("Authorized Vote") with photograph
 - f. A scanned copy of the certification duly signed by the corporate secretary of the corporate stockholder attesting to the authority of the representative to vote for and on behalf of the corporate stockholder
 - iii. For stockholders under Broker Accounts (PCD Nominee)
Individual beneficial owner
 - a. Email Address
 - b. First and Last Name
 - c. Address
 - d. A valid and active Mobile / Phone Number

- e. A scanned copy of a valid government-issued ID of the individual beneficial owner with photograph
- f. A scanned copy of the broker's certification on the individual beneficial owner's name, account number and shareholdings as of record date (15 June 2020)

Corporate beneficial owner

- a. A scanned copy of the broker's certification on the corporate beneficial owner's name, account number and shareholdings as of record date (15 June 2020)
 - b. A scanned copy of the certification duly signed by the corporate secretary of the corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial owner
 - c. A scanned copy of a valid government-issued ID of the representative of the corporate beneficial owner with photograph
- d. Stockholders may cast their votes on any item in the agenda for approval through the following modes on or before 3 July 2020:
- i. By sending their duly signed proxies appointing the Chairman of the meeting to the Corporate Secretary, together with the information and documents mentioned under item (c); or
 - ii. By voting *in absentia* through sending their duly signed ballots to the Corporate Secretary, subject to the validation procedure mentioned in item (c).
- e. Other Matters that are proposed to be included in the agenda by qualified minority shareholders as provided in SEC Memorandum Circular No. 14, Series of 2020, must be submitted to the Corporate Secretary by email to **cic.secretary@romulo.com** not later than 3 July 2020. All stockholders who have validly registered to participate in the meeting by remote communication or vote *in absentia* or through a proxy will receive an email from the Corporate Secretary informing them of the Other Matter(s) for approval by the qualified minority shareholder(s), should such matter(s) require the vote of the shareholders. Stockholders must send their votes (Yes, No, or Abstain) to the Corporate Secretary by email at to **cic.secretary@romulo.com** no later than 8 July 2020.
- f. Stockholders may send their questions or comments on the items in the Agenda prior to or during the meeting by e-mail at **investorrelations@cic.ph**. The Corporation will endeavor to answer the questions submitted either during the course of the meeting or separately through the Corporation's Investor Relations Office within a reasonable period after the meeting.
- g. Each Agenda item will be shown on the screen during the live streaming as the same is taken up at the meeting.
- h. All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.
- i. Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.
- j. The Corporate Secretary and a committee organized by the Board will tabulate all votes received and an independent third party will validate the results.
- k. The meeting proceedings shall be recorded in audio and video format and copies thereof shall be retained by the Corporation.

3. Approval of the Minutes of the Annual Meeting of the Stockholders held on 10 July 2019

The minutes of the meeting held on 10 July 2019 are available at the Corporation's website, <https://cicasm2020.cic.ph/>. Copies of the minutes will also be made available to the stockholders along with the Information Statement.

4. Report of the Chairman

The Report summarizes significant business transactions undertaken by management and achievements for the fiscal year 2019.

5. Approval of the Audited Financial Statements

The Corporation's Audited Financial Statements, highlights of which are explained in the Chairman's Report and in the Information Statement, will be presented to the stockholders for approval. Copies of the 2019 Audited Financial Statements, previously approved by the Board, were also submitted to the Securities and Exchange Commission and the Bureau of Internal Revenue.

6. Election of the members of the Board of Directors

Copies of the *curriculum vitae* and profiles of the candidates to the Board, including the nominees for Independent Directors, received and screened by the Corporate Governance and Nominations Committee of the Board are provided in the Information Statement for the examination of the stockholders. For this year, the candidates to the Board are the following:

- i. Raul Joseph A. Concepcion
- ii. Renna C. Hechanova-Angeles
- iii. Raul Anthony A. Concepcion
- iv. Jose Ma. A. Concepcion III
- v. Ma. Victoria Heminia C. Young
- vi. Raissa C. Hechanova-Posadas
- vii. Cesar A. Buenaventura (Independent Director)
- viii. Alfredo E. Pascual (Independent Director)

7. Appointment of External Auditor

The Audit and Risk Oversight Committee of the Board will endorse to the stockholders the election of Isla Lipana & Co. as the Corporation's auditor for year 2020-2021 as well as its proposed remuneration. The external auditor conducts an independent verification of the Corporation's financial statements and provides an objective assurance on the accuracy of its financial statements.

The profile of Isla Lipana & Co. is provided in the Information Statement.

8. Ratification of Actions Taken by the Board of Directors and Officers

The acts and resolutions of the Board are reflected in the minutes of meetings, and the material aspects of which are disclosed to the SEC and the Philippine Stock Exchange ("PSE") and posted on the company website, <https://cicasm2020.cic.ph/>. These acts are crucial to the successful and effective performance of the Corporation.

The stockholders will be requested to ratify all acts of the Board and Management since the last annual stockholders' meeting on 10 July 2019.

9. Other Matters

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

10. Adjournment

After all business has been considered and resolved, the Chairman will declare the meeting adjourned.

PROXY

The undersigned stockholder of **CONCEPCION INDUSTRIAL CORPORATION** (the "Corporation") hereby appoints the Chairman of the meeting as *attorney-in-fact* to represent and vote all shares registered in its/his/her name at the annual stockholders' meeting of the Corporation on 15 July 2020 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on 10 July 2019

For Against Abstain

2. Approval of the Report of the Chairman

For Against Abstain

3. Approval of the Audited Financial Statements as of 31 December 2019

For Against Abstain

4. Election of the members of the Board of Directors

	Yes	No	Abstain
Raul Joseph A. Concepcion			
Renna C. Hechanova-Angeles			
Raul Anthony A. Concepcion			
Jose Ma. A. Concepcion III			
Ma. Victoria Heminia C. Young			
Raissa C. Hechanova-Posadas			
Cesar A. Buenaventura (Independent Director)			
Alfredo E. Pascual (Independent Director)			

5. Appointment of External Auditor

For Against Abstain

6. Ratification of Actions taken by the Board of Directors and Officers

For Against Abstain

7. The proxy named above is authorized to vote upon such other matters as may properly come before the meeting

For Against Abstain

Printed Name of Stockholder and Signature: _____ **Date:** _____

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 3 JULY 2020 AT 5:00 P.M. FOR CORPORATE STOCKHOLDERS, PLEASE ATTACH TO THIS PROXY FORM THE SECRETARY'S CERTIFICATE ON THE AUTHORITY OF THE SIGNATORY TO APPOINT THE PROXY AND SIGN THIS FORM.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[] Preliminary Information Statement

[] Definitive Information Statement

2. Name of Registrant as specified in its charter: **CONCEPCION INDUSTRIAL CORPORATION**
(formerly Concepcion Airconditioning Corporation, the "Corporation")

3. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **A1997-13456**

5. BIR Tax Identification Code: **005-029-401-000**

6. **308 Sen. Gil J. Puyat Avenue, Makati City, Philippines** **1209**
Address of principal office Postal Code

7. Registrant's telephone number, including area code: **(02) 772 1819**

8. Date, time and place of the meeting of security holders:

Date: 15 July 2020

Time: 10:30am

Place: Virtually via Zoom

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **24 June 2020**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of share and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	407,263,891

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes No

Is yes, disclose the name of such Stock Exchange and the class of securities listed therein;

The common shares of the Corporation are listed on The Philippine Stock Exchange, Inc.

**THE MANAGEMENT IS NOT SOLICITING PROXIES FOR
THIS STOCKHOLDERS' MEETING.
PLEASE DO NOT SEND THE MANAGEMENT YOUR PROXY.**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

The Annual Stockholders' Meeting of Concepcion Industrial Corporation (formerly Concepcion Airconditioning Corporation) (the "Corporation" or the "Company") will be held virtually via Zoom on 15 July 2020 at 10:30 a.m.

The complete mailing address of the Company is 308 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

The approximate date on which copies of the information statement are first to be sent or given to security holders is 24 June 2020.

Item 2. Dissenters' Right of Appraisal

Shareholders of the Company shall have an appraisal right, or the right to dissent and demand payment of the fair value of their shares, in the manner provided for under Section 80 of the Revised Corporation Code of the Philippines, under any of the following circumstances:

- In case of any amendment to the Articles of Incorporation, which has the effect of changing or restricting the rights of shareholders or any class of shares, or the authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of the Company's corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's assets as provided under the Revised Corporation Code;
- In case of merger or consolidation of the Company with another corporation; and
- In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the Company shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one (1) of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made; provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment; and provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

There are no matters or proposed corporate actions included in the agenda for the Annual Stockholders' Meeting, which may give rise to a possible exercise by shareholders of their appraisal rights.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No current director or officer of the Corporation or nominee for election or director of the Corporation, nor any associate of such persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

No director has informed the Company in writing that he/she intends to oppose any action to be taken by the Company at the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Pursuant to a resolution of the Board of Directors at a regular meeting held on 13 May 2020 all stockholders at the close of business hours on 15 June 2020 shall be entitled to notice and to vote at the Annual Stockholders' Meeting scheduled on 15 July 2020. The stockholders will vote on matters scheduled to be taken up at the Annual Stockholders' Meeting with each share being entitled to cast one (1) vote.
- (b) For the election of directors, stockholders entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.
- (c) Pursuant to Article II, Section 7 of the Corporation's By-Laws, a stockholder may vote in person or by proxy.
- (d) Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the Company's voting securities as of 31 May 2020 were as follows:

Title of Class	Name and Address of Record / Beneficial Owner and	Relationship with Issuer	Citizenship	Number of Shares Held	% to Total
Common	Foresight Realty & Development Corporation (Formerly Concepcion Holdings, Inc.) Sen. Gil Puyat Ave. Extension, Makati City	Stockholder	Filipino	92,580,290 ¹	22.95%
Common	Horizons Realty, Inc. Pioneer cor. Sheridan St., Mandaluyong City	Stockholder	Filipino	85,545,036 ²	21.22%
Common	Hy-Land Realty and Development Corporation 308 Sen. Gil J. Puyat Ave., Makati City	Stockholder	Filipino	89,387,797 ³	22.17%

The following are the representatives and authorized to cast votes for the three major shareholders to the Annual Stockholders' Meeting: Raul Joseph A. Concepcion (Foresight Realty & Development Corporation), Jose Ma. A. Concepcion (Horizons Realty Inc.), and Renna C. Hechanova-Angeles (Hy-Land Realty and Development Corporation).

Security Ownership of Directors and Management

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned by the directors and executive officers of the Company as of 31 May 2020:

Title of Class	Name of Beneficial Owner	Position	Citizenship	Number of Shares	Nature of Ownership	% of Class
Common	Raul Joseph A. Concepcion	Chairman/CEO	Filipino	738,470	Direct & Indirect	0.2%
Common	Renna C. Hechanova-Angeles	Vice Chairman/Treasurer	Filipino	3,107,816	Direct	0.8%
Common	Raul Anthony A. Concepcion	Director	Filipino	2,185,952	Direct & Indirect	0.5%
Common	Ma. Victoria Herminia C. Young	Director	Filipino	1,149,073	Direct & Indirect	0.3%
Common	Jose Ma. A. Concepcion	Director	Filipino	114,056	Direct & Indirect	0%
Common	Raissa C. Hechanova-Posadas	Director	Filipino	2,641,630	Direct	0.7%

¹ Including two (2) common shares held by its nominees.

² Including two (2) common shares held by its nominees.

³ Including two (2) common shares held by its nominees.

Common	Alfredo E. Pascual	Director	Filipino	100	Direct	0%
Common	Cesar A. Buenaventura	Director	Filipino	3	Direct	0%
Common	Rafael C. Hechanova, Jr.	EVP for Business Development	Filipino	3,832,014	Direct & Indirect	0.9%
Common	Ma. Victoria A. Betita	Chief Finance Officer	Filipino	33,000	Direct	0%
Common	Rajan Komarasu	Director, Business Solutions Group, CCAC	Filipino	46,800	Direct	0%
Common	Harold T. Pernikar	Director, Consumer Solutions Group, CCAC	Filipino	1,560	Direct	0%
Common	Alexander Villanueva	Director, Manufacturing and Supply Chain Management, CCAC	Filipino	12,000	Direct	0%

(e) Voting Trust Holders of 5% or more

There are no voting trusts or similar agreements covering the shares of stocks of the Corporation.

(f) Changes in Control of the Registrant since beginning of last Fiscal Year

The Corporation is not aware of any transactions, which may have resulted in a change of control in the Corporation since the beginning of the last fiscal year.

Item 5. **Directors and Executive Officers**

The members of the Board of Directors and executive officers of the Corporation are:

Name and Position	Age	Citizenship	Term of Office as a Director / Officer[1]	Period Served As A Director / Officer	Directorship Held In Other Philippine Companies
Raul Joseph A. Concepcion	58	Filipino	1 year	Director and Officer since 1997	Foresight Realty and Development Corporation, Concepcion Durables, Inc., Concepcion Midea, Inc., Concepcion Otis Philippines, Inc. Cortex Technologies, Inc., Alstra, Inc.
Chairman and President					
Renna C. Hechanova-Angeles	65	Filipino	1 year	Director and Officer since 1997	Hy-land Realty and Development Corporation, Concepcion Durables, Inc.
Vice-chairman and Treasurer					
Raul Anthony A. Concepcion	50	Filipino	1 year	Since 5 July 2013	Foresight Realty and Development Corporation, Concepcion Durables, Inc.
Director					
Jose Ma. A. Concepcion III	62	Filipino	1 year	Since 5 July 2013	Horizons Realty, Inc. RFM Corporation
Director					

Ma. Victoria Herminia C. Young	61	Filipino	1 year	Since 5 July 2013	Horizons Realty, Inc., RFM Corporation Concepcion Durables, Inc.
Director					
Raissa C. Hechanova-Posadas	60	Filipino	1 year	Since 5 July 2013	Hy-land Realty and Development Corporation
Director					
Cesar A. Buenaventura	91	Filipino	1 year	Since 27 November 2013	DMCI Holdings, ICTSI, SEMIRARA AG&P Company of Manila and Montecito Properties
Independent Director					
Alfredo E. Pascual	71	Filipino	1 year	Since 27 November 2013	Frontier Oil, Inc.
Independent Director					
Rafael C. Hechanova, Jr.	61	Filipino	1 year	Since 30 December 1997	Hy-land Realty and Development Corporation, Concepcion Durables, Inc., Concepcion Midea, Inc., Cortex Technologies Corp., Concepcion Business Services, Inc.
Executive Vice President, Business Development					
Maria Victoria A. Betita	53	Filipino	1 year	Since 14 November 2011	Concepcion Durables, Inc., Concepcion Midea, Inc., Cortex Technologies Corp.
Chief Finance Officer					
Rajan Komarasu	54	Singaporean	1 year	Since 11 March 2013	Alstra, Inc. Concepcion Otis Philippines, Inc.
Director, Business & Industrial Solutions Group					
Harold T. Pernikar	43	American	1 year	Since 18 February 2013	Concepcion Durables, Inc.
Director, Consumer Sales Group					
Phillip F. Trapaga	55	Filipino	1 year	Since 15 July 2013	None
General Manager, Concepcion Midea					
Alexander T. Villanueva	47	Filipino	1 year	Since 15 May 2006	None
Director and General Manager, Manufacturing and Supply Chain Management					
Shaun Byrne	46	Australian	1 year	Since 2 January 2015	Cortex Technologies Corp.
President, Cortex Technologies Corp.					
Mary Grace Z. Velasco	41	Filipino	1 year	Since 22 September 2013	Pepper Broers Inc.,AOM.
Vice President, Investor Relations and Corporate Planning					

Michael Eric I. Sarmiento	50	Filipino	1 year	8 March 2020	Concepcion Business Services, Inc.
President and COO, Concepcion Business Services, Inc.					
Richard L. Parcia	44	Filipino	1 year	15 October 2018	None
Chief Information Officer					
Omar C. Taccad	51	Filipino	1 year	9 July 2018	None
Chief Compliance Officer and Vice President for Legal, Governance and Compliance					
Jayson L. Fernandez	50	Filipino	1 year	Since 18 July 2013	Cortex Technologies Corp.
Corporate Secretary					
Maria Tara A. Mercado	34	Filipino	1 year	Since 7 June 2017	None
Assistant Corporate Secretary					

The information on the business experience of the members of the Board of Directors and the Executive Officers of the Corporation is found in Annex "A" hereof.

The following are the members of the committees of the Board of Directors:

Executive Committee

Raul Joseph A. Concepcion (Chairman)
Renna C. Hechanova-Angeles
Raul Anthony A. Concepcion

Audit and Risk Oversight Committee

Alfredo E. Pascual. (Chairman)
Cesar A. Buenaventura
Raissa C. Hechanova-Posadas
Ma. Victoria Herminia C. Young

Compensation and Remuneration Committee

Cesar A. Buenaventura (Chairman)
Jose Ma. A. Concepcion III
Alfredo E. Pascual

Corporate Governance and Nominations Committee

Cesar A. Buenaventura (Chairman)
Alfredo E. Pascual
Raul Joseph A. Concepcion
Renna C. Hechanova-Angeles

(a) Directors, Independent Directors, and Executive Officers

Directors

The incumbent directors have been nominated to be elected as members of the Board of Directors of the Company for the ensuing year, and all have accepted such nominations. The Corporate Governance and Nominations Committee processed and evaluated the nominations of the incumbent directors in accordance with guidelines as required by law, regulations, and the Company's Manual of Corporate Governance and By-Laws. The Committee unanimously resolved that all of the incumbent directors are qualified for re-election.

To the knowledge and information of the Corporation, none of the above members of the Board of Directors and executive officers of the Corporation currently work with any agency of the Government whether as an appointee or employee thereof.

The members of the Board of Directors do not have any material pending proceedings to the Corporation or any of its subsidiaries.

Independent Directors

The independent directors of the Company are as follows:

- 1) Cesar A. Buenaventura
- 2) Alfredo E. Pascual

The Company's Corporate Governance and Nominations Committee evaluated and reviewed each nominee-director's qualifications based on the guidelines for Independent Directors spelled out in Section 38 of the Securities Regulation Code ("SRC"), all rules and regulations issued by the Securities and Exchange Commission ("SEC" or "Commission") to implement the SRC, and the Company's Manual on Corporate Governance, and unanimously resolved that said nominees are qualified and meet the requirements for election.

Mr. Buenaventura has been elected as independent director since 2013 while Mr. Pascual has been elected as independent director since 2019. The election of both are in compliance with SEC Memorandum Circular No. 9, series of 2011, as amended by SEC Memorandum Circular No. 4-2017, on term limits of independent directors.

The name of the person who recommended the nomination of the foregoing candidates for independent directors is Foresight Realty & Development represented by its President, Mrs. Carmencita A. Concepcion ("Mrs. Concepcion"). None of the candidates for independent directors of the Corporation are related to Foresight Realty & Development Corporation and Mrs. Concepcion whether by affinity or consanguinity up to the fourth civil degree.

(b) Significant Employees

The Company values its human resources and considers the entire manpower force as significant employees.

(c) Family Relationships

Raul Joseph A. Concepcion and Raul Anthony A. Concepcion are brothers. Renna C. Hechanova-Angeles, Rafael C. Hechanova, Jr., and Raissa C. Hechanova-Posadas are siblings. Jose Ma. A. Concepcion III and Ma. Victoria Herminia C. Young are likewise siblings. The foregoing groups of siblings are also first cousins. The president of Foresight Realty & Development is the mother of Raul Joseph A. Concepcion and Raul Anthony A. Concepcion.

(d) Involvement in Certain Legal Proceedings

The above named directors and executive officers have not been involved in any material legal proceedings involving bankruptcy petitions, criminal convictions, court orders and judgments, including violations of securities regulations during the past five (5) years and until the date of this report.

(e) Certain Relationships and Related Transactions

In the normal course of business, the Company transacts with related parties. The following are the balances and significant transactions with these entities as at and for the years ended December 31:

	2019		2018		2017	
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)
Shareholders						
Rent and utilities	52,292	(3)	56,265	(1,110)	48,830	-
Lease of warehouse	53,364	-	45,082	-	43,116	-
Dividend declaration	486,606	-	487,056	-	338,233	-
Advances from shareholders	-	(1,157)	-	(1,748)	-	(2,510)
Associate						
Administrative services	19,115	1,593	17,878	4,470	9,031	1,631
Transfer of employees	706	(8,578)	1,962	(7,740)	1,553	(6,783)
Transfer of employees	1	1,781	2,071	2,071	-	-
Purchase of goods, net of return	223	(20)	787	(20)	13,846	(3,410)
Sale of goods	232	2,558	17,592	20,674	3,083	3,083
Product loan	-	-	-	(40)	-	(42)
Advances to associate	83,039	44,647	12,294	10,068	2,062	220
Advances from associate	2,653	(210)	265	(1,061)	880	(569)
Entities under common control						
Rent and utilities	34,372	1	32,494	(2,707)	36,280	-

	2019		2018		2017	
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)
Entities with common shareholders						
Sale of goods	24	-	-	-	7,880	4,389
Commission income	32,895	27,419	25,728	10,567	8,058	4,900
Reimbursements	-	-	795	4	-	-
Dividend declaration	895,560	-	431,700	-	314,450	-
Purchases, net purchase returns	2,511,901	(318,022)	1,531,012	(376,333)	2,047,663	(442,216)
Collections (Payments) in behalf of a related party	54,260	(2,105)	54,260	(4,330)	74	(4,385)
Royalty/Technical fee	56,160	(8,049)	51,448	(4,835)	58,499	(10,544)
Key management personnel						
Short-term						
Directors fees	3,943	3,943	18,558	(18,558)	19,515	(19,515)
Salaries and wages	459,369	(105,307)	523,563	(100,499)	397,684	(160,040)
Long-term						
Retirement benefit	13,462	(61,662)	9,863	(101,998)	10,253	(92,068)
Retirement plan						
Contributions to the retirement fund						
	329	-	-	-	4,335	-
Claims from the retirement fund	29,508	-	21,774	-	3,996	-

(f) Resignation of Directors

No director has resigned nor declined to stand for reelection because of a disagreement with the Corporation.

No director has informed the Corporation in writing that he/she intends to oppose any action to be taken by the Corporation at the Annual Stockholder's Meeting.

Item 6. **Compensation of Directors/Executive Officers**

The following are the Company's CEO and four most highly compensated executive officers for the year ended 31 December 2019:

<u>Name</u>	<u>Position</u>
Raul Joseph A. Concepcion	Chief Executive Officer
Raul Anthony A. Concepcion	President, CDI
Renna C. Hechanova-Angeles	Vice Chairman of CIC
Rajan Komarasu	President, Alstra Group, CIC (CCAC and COPI)
Ma. Victoria A. Betita	Chief Finance Officer, CIC and CCAC

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the four most highly compensated executive officers of the Company in 2017, 2018, 2019 and 2020 (forecast):

	<u>Year</u>	<u>Total⁽¹⁾</u>
		(Amounts are in millions)
CEO and the most highly compensated officers named above		
.....	2017	148.3
	2018	162.6
	2019	149.1
	2020 (est.)	128.1
Aggregate compensation paid to all officers and Directors as a group unnamed		
.....	2017	228.0
	2018	268.3
	2019	254.4
	2020 (est.)	279.6

Note:

(1) includes salary, bonuses and other income.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board of Directors for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other standard arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2018 for any service provided as a director.

Employment Contracts

As of the date of this Report, the Company has no special employment contracts with the named executive officers.

Warrants and Options Outstanding

The Company has no outstanding stock warrants or stock options.

Item 7. Independent Public Accountants

Isla Lipana & Co. was the Company's external auditor for calendar year 2019. Representatives thereof are expected to be present at the Annual Stockholders' Meeting, and they will have the opportunity to make a statement if they so desire and respond to appropriate questions. The engagement of the Company's external auditor is in compliance with paragraph (3)(b)(iv) of the Securities Regulation Code - Rule 68, as amended, which requires independent auditors or in case of an audit firm, the signing partner, to be rotated after every five years of engagement, with a two year cooling-off period to be observed in the re-engagement of the signing partner or independent auditor.

The approval of the appointment of Isla Lipana & Co. as the Company's external auditor for the current year will be among the matters to be acted upon during the Annual Stockholders' Meeting.

Changes and Disagreements with Accountant on Accounting and Financial Disclosures

There were no changes nor disagreements with accountants on accounting and financial disclosures.

External Audit Fees and Services

The aggregate fees billed in 2019 for each of the professional services rendered by the Group's external auditors are summarized as follows:

NATURE OF AUDIT	FIRM	CIC	CCAC	CDI	COP I	CMI P	CBS I	CT C	TEK O	ALSTR A	TENE X	TOTA L
December 31, 2019												
External Audit	PWC	730	900	760	720	470	470	200	50	10	20	4,330
Impairment of Goodwill	P&A	400	-	-	-	-	-	-	-	-	-	400
Purchase Price Allocation Valuation	P&A	400	-	-	-	-	-	-	-	-	-	400
Tax Consultancy	SGV	360	1,000	-	1,526	-	-	-	-	-	-	2,886
	ROMULO	-	-	508	-	-	-	-	-	-	-	508
	VACO	-	-	115	-	-	-	-	-	-	-	115
Actuarial Valuation Report	IGD	-	-	-	-	556	852	-	-	-	-	1,408
	EMZ	13	47	25	25	17	23	17	-	-	-	167
TOTAL		1,903	1,947	8	1	3	5	217	50	10	20	10,214

Audit Committee's Approval Policies and Procedures for the Above Services

The Company's Audit and Risk Oversight Committee ("Audit Committee") chaired by Independent Director Alfredo Pascual reviews the eligibility of the incumbent external auditor for retention, considering certain criteria, during the third quarter of each year. Failing so, the Audit Committee then follows the selection process.

Before the start of each year's audit, the external auditor presents to the Audit Committee for approval its proposed audit plan, describing the areas of focus for the audit, as well as any new accounting standards, laws and new regulatory rules that need to be taken into account in the course of the audit. The audit schedule is also presented. The audit fees are agreed with the external auditor by management. When the audit is completed and before the Board of Directors' meeting in March of the following year, the external auditor presents the audited financial statements and accompanying notes to the Board of Directors for notation in its March meeting, in time for tax filing in April.

Item 8. Compensation Plans

There are no actions to be taken up in the meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There is no stockholders' action to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up in the meeting with respect to the modification or exchange of securities.

Item 11. Financial and Other Information

The audited financial statements as of 31 December 2019 and other data related to the Company's financial information are attached hereto as Annex "C".

For the Management's Discussion and Analysis and Changes in and Disagreements with Accountants on Accounting and Financial Disclosure, please refer to the Management Report attached as Annex "B" hereof.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no stockholders' action to be taken with regard to the following: (a) the merger or consolidation of the Corporation into or with any other person or of any other person into or with the Corporation; (b) the acquisition by the Corporation or any of its security holders of securities of another person; (c) the acquisition by the Corporation of any other going business or of the assets thereof; (d) the sale or other transfer of all or any substantial part of the assets of the Corporation; and (d) the liquidation or dissolution of the Corporation.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the meeting relating to acquisition or disposition of property.

Item 14. Restatement of Accounts

There are no matters or actions to be taken up in the meeting relating to restatement of accounts.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Financial Statements and Management Report

The management shall report on the significant business transactions undertaken by management and achievements for the fiscal year 2019. Attached is the Management Report and the Audited Financial Statements for the period ending 31 December 2019, which is Annex "C" hereof.

The Board of Directors recommends that shareholders note and approve the Management Report together with the financial statements for the period ending 31 December 2019.

(b) Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the last annual stockholders' meeting up to the Date of the Annual Stockholders' Meeting

As a matter of corporate policy, the management of the Corporation seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and management since 10 July 2019, as follows: (1) election of the officers of the Corporation, (2) appointment of the members of the Corporation's committees, (3) allocation of investment fund for opportunities in innovation; (4) 2019 Share Buy-Back Program; (5) creation of Corporate Governance & Nominations Committee and Audit and Risk Oversight Committee to replace the Nominations Committee and the Corporate Governance and Audit Committee; (6) Board of Directors to hold meetings at least six (6) times a year;; (7) appointment of Lead Independent Director, Chief Compliance Officer, Chief Audit Executive and Chief Risk Officer; (8) approval of Revised Policy on Related Party Transactions; (9) establishment of emergency cash fund for urgent requirements during the quarantine period; (10) establishment of up to P300M share buy back fund; (11) deferral of cash dividends during the enhanced quarantine period; (12) donation of funds to Project Ugnayan to assist urban poor households who are vulnerable due to Covid-19 community quarantine measures; (13) ratification of Audit and Risk Oversight Committee's approval of the Corporation's audited financial statements as of 31 December 2019; (14) setting of Annual Stockholder's Meeting on 15 July 2020; (15) authorizing the holding of the 2020 Annual Stockholders Meeting virtually and the attendance and voting shall be exercised in person or through a proxy by way of remote communication or in absentia; and (16) declaration of cash dividends.

These are reflected in the minutes of the meetings of the Board of Directors, in the regular reports and disclosures to the SEC and to the PSE, and in Annexes "B" and "C" hereof.

Item 16. Matters Not required to be Submitted

All matters or actions that will require the vote of the security holders will be submitted at the meeting.

Item 17. Amendment of Charter, By-laws or Other Documents

There are no matters or actions to be taken up in the meeting with respect to the amendment of the Corporation's Articles of Incorporation, By-laws, and other documents.

Item 18. Other Proposed Actions

(a) Approval of the Minutes of the Annual Meeting of the Stockholders held on 10 July 2019

The Minutes of the Stockholders' Meeting of the Corporation held on 10 July 2019 (the "Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholder approval and action on those items had already been obtained in such meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. In addition, copies of the Minutes will be available for review by the Stockholders present in the Annual Stockholders' Meeting.

(b) Election of Directors

The regular and independent members of the Board of Directors are elected at the Annual Stockholders' Meeting to hold office until the next Annual Stockholders' Meeting and until their respective successors have been elected and qualified.

(c) Appointment of the Company's External Auditor

The approval of the appointment of Isla Lipana & Co. as the Company's external auditor for the current year will be one of the matters to be undertaken during the Annual Stockholders' Meeting.

(d) Approval of the 2019 Audited Financial Statements and the Management Report

The approval of the 2019 audited financial statements of the Company as well as the accompanying Management Report will be one of the matters to be undertaken during the Annual Stockholders' Meeting.

Item 19. Voting Procedures

(a) Vote Requirement

The following matters require the following votes:

Subject Matter	Votes Required
Appointment of the Company's external auditor	Majority of the votes cast
Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management	Majority of the votes cast

Approval of the Minutes of the Annual Meeting of the Stockholders held on 10 July 2019	Majority of the votes cast
Approval of the 2019 Financial Statements and Management Report	Majority of the votes cast
Election of Directors	The top eight (8) nominees with the most number of votes cast are elected

(b) Method of Voting

In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one vote. In light of the COVID-19 pandemic (as discussed in Item 20), stockholders will only be allowed to vote by appointing the Chairman of the meeting as their proxy or electronically *in absentia*.

In the case of the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate the aforesaid shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this Information Statement, and shall be received by the Corporate Secretary on or before 3 July 2020.

A stockholder may vote electronically *in absentia* by sending his or her duly signed ballot to the Corporate Secretary, subject to validation procedures. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.

All votes will be counted and tabulated by the Corporate Secretary and a committee organized by the Board, and the results will be validated by an independent third party.

Item 20. Participation of Stockholders by Remote Communication

In support of the efforts to contain the outbreak of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers, and employees, the Corporation will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication. The livestream of the meeting shall be viewable *via* Zoom.

In order for the Corporation to properly conduct validation procedures, stockholders who have not sent their proxies or registered on the voting *in absentia* website who wish to participate via remote communication must notify the Corporation by email to **cic.secretary@romulo.com** on or before 3 July 2020.

Please refer to Annex "D" for the detailed guidelines for participation via remote communication and the procedures for registration and casting votes *in absentia*.

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on this 19th day of June 2019.

CONCEPCION INDUSTRIAL CORPORATION

By:



JAYSON L. FERNANDEZ
Corporate Secretary

ANNEX A

THE CURRENT BOARD OF DIRECTORS AND NOMINEES FOR REELECTION AND ELECTION TO THE 2019-2020 TERM

Name	Position	Date Elected To The Board	Citizenship	Age
Raul Joseph A. Concepcion	Chairman		Filipino	58
Renna C. Hechanova-Angeles	Vice-Chairman & Treasurer		Filipino	65
Raul Anthony A. Concepcion	Director		Filipino	50
Jose Ma. A. Concepcion III	Director		Filipino	62
Ma. Victoria Herminia C. Young	Director		Filipino	61
Raissa C. Hechanova-Posadas	Director		Filipino	60
Cesar A. Buenaventura	Independent Director		Filipino	91
Alfredo E. Pascual	Independent Director		Filipino	71

Raul Joseph A. Concepcion, 58 is the Chairman and Chief Executive Officer of the Company since 2008. He is also the president of CCAC and of Concepcion Industries, Inc. as well as the chairman emeritus of the Philippine Appliance Industry Association (“PAIA”). He holds a business administration degree from Simon Fraser University.

Renna C. Hechanova-Angeles, 65 was elected Vice Chairman of the Board and the Treasurer of the Company on 18 July 2013. She is concurrently the vice-chairman and corporate secretary of CDI, director of CCAC, corporate secretary of Contel Communications, director of the joint venture company between Ayala Land, Inc. and Concepcion Industries, Inc., corporate secretary of Republic Commodities Corporation (“RCC”), and executive vice president and corporate secretary of Concepcion Industries, Inc. (“CII”). She is also the corporate secretary of Hy-land. Ms. Angeles holds a B.S. Commerce, Major in Management degree from the Assumption College.

Raul Anthony A. Concepcion, 50 was deemed elected to the Board of the Company on 5 July 2013. He is also the president and chief operations officer of Contel Communications, vice president of the joint venture company between Ayala Land, Inc. and Concepcion Industries, Inc., and president and chief operations officer of CDI. Mr. Concepcion is also the founder and chief event officer of Condura Run, one of the premier running events in the Philippines. He is finalist in the Ernst and Young Entrepreneur of the Year Awards in 2011 and received the Business Excellence Award for showing exceptional, consistent and systematic application of total quality management principles. He holds a B.A. Political Science degree from the University of the Philippines-Diliman and an Executive Master of Business Administration degree from the Asian Institute of Management.

Jose Ma. A. Concepcion III, 62 was deemed elected to the Board of the Company on 5 July 2013. He concurrently serves as the president and CEO of RFM Corporation and chairman of the board of directors of RFM Unilever Ice Cream, Inc. Mr. Concepcion is also the co-chairman of the agri-business and food committee of PCCI. He is likewise a member of various industry associations such as PCCI, Philippine Association of Feed Millers (“PAFMI”), Philippine Association of Flour Millers (“PAFMIL”), Philippine Chamber of Food Manufacturers, Inc. (“PCFM”), Makati Business Club, and Management Association of the Philippines (“MAP”). Mr. Concepcion is active in various socio-civic associations such as the Philippine Center for Entrepreneurship Foundation which he founded, The Search for the Ten Outstanding Students of the Philippines (“TOSP”) and Rotary Club of Makati Central. From 2005 to 2010, he was the presidential consultant for entrepreneurship. Presently, Mr. Concepcion holds the following positions in socio-civic associations: vice chairman and trustee of RFM Foundation, Inc., director of the Laura Vicuna Foundation for Street Children, and vice chairman of the Micro Small and Medium Enterprise Development Council (“MSMED”). He holds a B.S. Business Management degree from the De La Salle University.

Ma. Victoria Herminia C. Young, 61, was deemed elected to the Board of the Company on 5 July 2013. She is a director as well as the vice-president and general manager of the White King Division of RFM Corporation since 2006. She is also a director and general manager of Interbake Commissary Corporation and president of RFM Foundation, Inc. Ms. Young is likewise a trustee of several charitable organizations such as Soul Mission Organization and Ronald McDonald House of Charities. From 2000-2003, she served as a director of the Assumption Alumnae Association. Ms. Young holds a B.S. Management and Marketing degree from the Assumption College.

Raissa C. Hechanova-Posadas, 60, was deemed elected to the Board of the Company on 5 July 2013. She is concurrently a director of RFM Corporation, advisor to the board of directors of BDO Private Bank, and member of the board of trustees of Knowledge Channel Foundation, Inc. and Pinoy ME (MicroEntrepreneurship) Foundation. Prior to joining the Company, Ms. Hechanova-Posadas had 25 years of experience in corporate and investment banking at Citigroup where she held the positions of managing director, head of corporate finance unit, and designated business senior credit officer. In addition, she was a member of the Citi Philippines senior management team for ten years, and of the board of directors of several Citigroup legal vehicles in the country. Ms. Hechanova-Posadas holds a B.A. Applied Economics degree from De La Salle University and a Master of Business Administration degree from IMD International Institute for Management Development (formerly IMEDE).

Independent Directors

Cesar A. Buenaventura, 91, was deemed elected to the Board of the Company on 27 November 2013. He is also the vice chairman of the board of directors of DMCI Holdings, Inc, AG&P Company of Manila and Montecito Properties, Inc. Mr. Buenaventura likewise holds a directorship position in the boards of International Container Terminal Services, Inc (ICTSI) Semirara Coal Company, iPeople, Inc., Petronenergy Resources Corp., and Pilipinas Shell Petroleum Corporation. The notable positions he previously held include first Filipino CEO and chairman of the Shell Group of Companies, member of the Monetary Board of the Central Bank of the Philippines, member of the board of regents of the University of the Philippines from 1987 to 1994, member of the board of trustees of the Asian Institute of Management from 1994 to 2007, and president of the Benigno Aquino S. Foundation from 1985 to 2000. Mr. Buenaventura holds a B.S. Civil Engineering from the University of the Philippines and a Master's degree in Civil Engineering, major in Structures from Lehigh University.

Alfredo E. Pascual, 71, is a nominee for Independent Director of the Company. Mr. Pascual just finished his six-year term as President of the University of the Philippines (UP). Prior to his involvement in the academe, he worked at the Asian Development Bank (ADB) for nineteen years in such positions as Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership. Previous to that, Mr. Pascual held senior executive positions in investment banking companies, such a First Metro Investment Corporation. He likewise took on an educator role as finance professor at the Asian Institute of Management (AIM) for nine years in the 1980's. Mr. Pascual enrolled in the University of the Philippines Diliman and took up B.S. Chemistry, and graduated *cum laude* in 1969. He received his Master of Business Administration degree from the same university in 1972.

THE KEY OFFICERS AS OF 31 MAY 2019

Position	Name	Citizenship	Age
Chairman, Chief Executive Officer of CIC and President of CCAC	Raul Joseph A. Concepcion	Filipino	58
Vice Chairman and Treasurer	Renna C. Hechanova-Angeles	Filipino	65
President of CDI; Vice Chairman of CDI	Raul Anthony A. Concepcion	Filipino	50
Executive Vice President, Business Development and Corporate Marketing, CIC and CCAC	Rafael C. Hechanova, Jr.	Filipino	61
Chief Finance Officer, CIC and CCAC; CEO of CBSI	Ma. Victoria A. Betita	Filipino	53
Vice President, Investor Relations and Corporate Planning	Mary Grace Z. Velasco	Filipino	41
President, Alstra Group, CCAC and COPI; CEO and President, COPI; CEO and President, Alstra	Rajan Komarasu	Singaporean	53
President, Consumer Lifestyle Solutions, CCAC, CDI and CMIP; CEO of CDI	Harold Thomas Pernikar, Jr.	American	43
Chief Information Officer	Richard L. Parcia	Filipino	44
President, Product Solutions Division, CCAC and CDI	Alexander T. Villanueva	Filipino	48
CEO of Technology Division (CTC)	Shaun Byrne	Australian	45
President and COO, Concepcion Business Services, Inc.	Michael Eric I. Sarmiento	Filipino	50
Chief Compliance Officer, Vice President for Legal Governance and Compliance	Omar C. Taccad	Filipino	51
Corporate Secretary	Jayson L. Fernandez	Filipino	50
Assistant Corporate Secretary	Maria Tara A. Mercado	Filipino	33

Raul Joseph A. Concepcion *Please refer to the table of Directors above.*

Renna C. Hechanova-Angeles *Please refer to the table of Directors above.*

Raul Anthony A. Concepcion *Please refer to the table of Directors above.*

Rafael Concepcion Hechanova, Jr., 61 was appointed as Executive Vice President for Business Development and Corporate Marketing of the Company and CCAC on 30 December 1997. He plays a key role in ensuring that the Company continues to do good business across all its markets. He oversees both the Consumer and Business Solutions Groups, including new business units for corporate marketing and business development. Prior to his tenure in CCAC, Mr. Hechanova served as a Director of the Pacific Basin Development Company in Vancouver, Canada. Upon returning to the Philippines and joining Concepcion Industries in 1994, he became responsible for managing the sales and aftermarket service of chillers and AHUs to institutional and commercial customers. In 1998, Mr. Hechanova joined the CCAC

leadership as an operating partner managing retail sales and marketing for RLC air conditioning products ensuring that both product and brand development initiatives were based on unique and demanding Filipino insights. This enabled CCAC to launch highly relevant branded communication messages for Carrier, Condura and Kelvinator as well as product innovations including the patented energy saving plug. Mr. Hechanova is also currently a director of Concepcion-Carrier Realty Holdings, Inc. and of Hy-land. He was a director of CAC from 1998 to 2013 and of CCAC from 2006 to 2009. He took up Mechanical Engineering at the De La Salle University and graduated at the British Columbia Institute of Technology.

Ma. Victoria A. Betita, 53 was appointed as Chief Finance Officer, CIC and CCAC; CEO of CBSI on 14 November 2011. Ms. Betita was the finance director and country controller for Asea Brown Boveri Group from 1996 to 2001. From 2001 to 2005, she was the chief financial officer of CCAC as well as the treasurer and CFO of several Carrier subsidiaries. Prior to re-joining CIC and CCAC in 2011, Ms. Betita held several positions at Deutsche Knowledge Services, Pte. Ltd. She holds a B.S. Management Engineering degree from the Ateneo de Manila University and a Masters in Business Management from the Asian Institute of Management.

Rajan Komarasu, 54, was appointed as the President, Alstra Group, CCAC and COPI; CEO and President, COPI; CEO and President, Alstra last 11 March 2013. He was the Chief Financial Officer of CCAC from 2007 to 2011. Mr. Komarasu held several positions with UTC primarily in the HVACR segment. Prior to joining the Company, his last role at UTC was Asia director for financial planning and analysis at the climate control and security department in Shanghai. Mr. Komarasu holds a B.S. Business degree from Curtin University. He is also a certified public accountant of Singapore.

Harold Perkinar, 43, was appointed as the President, Consumer Lifestyle Solutions, CCAC, CDI and CMIP; CEO of CDI last 18 February 2013. Prior to joining CCAC, he worked at the various offices of AkzoNobel Car Refinishes and AkzoNobel Automotive & Aerospace Coatings in Asia from 2002 to 2012. He served as a product manager, marketing & logistics manager, global product manager and business development manager at AzkoNobel Car Refinishes, and as a commercial manager at AzkoNobel Automotive & Aerospace Coatings. He holds a B.S. International Business and Finance degree from Northeastern University.

Richard L. Parcia, 44, Chief Information Officer of CIC since November 2018. Prior to CIC, Richard was CIO of the Asian Institute of Management (AIM). He was based in France as LafargeHolcim's Head of Global IT Operations Center and, prior to that, as Head of IT Operations and Infrastructure for LafargeHolcim's East Asia Business Region. Furthermore, Richard had global roles with Intel Corporation and UnitedHealth Group. Dr. Parcia holds a B.S. degree in Computers Science, and an MBA from Letran College-Calamba; and a PhD in Development Studies specializing in Technology Development from the University of Santo Tomas.

Alexander T. Villanueva, 48, was elected as the President, Product Solutions Division, CCAC and CDI since 15 May 2006. From 2006 to 2009, he served as the quality director of CCAC. Previously, he performed roles ranging from quality engineer to head of quality at Ford Motor Company, both in the Philippines and in the U.S., and at Nissan Motor Philippines. Mr. Villanueva holds a B.S. Mechanical Engineering degree from the Mapua Institute of Technology.

Shaun Byrne 47, is the CEO of Technology Division (CTC). He was formerly the Chief Information Officer of the Company and the IT director of Concepcion Carrier Air Conditioning Company(CCAC) from 2014-2015). The Director for Consumer Service and Support (CCAC) from 2009-2013. Prior to joining CCAC, Mr. Byrne owned and managed his own IT consultancy in Sydney and Melbourne from 1999 to 2006. He completed his studies in Glenroy Technical School in Melbourne, Australia.

Mary Grace Z. Velasco, 41, is the Vice President, Investor Relations and Corporate Planning of the Company since 22 September 2013. She was formerly the Investor Relations officer and Senior Investment Analyst for Strategic Investments for Security Bank from 2007-2013. Previously, she was the Senior Financial Planning Analyst for Globe Telecom from 2003-2007. Ms. Velasco was a Senior Associate for Corporate Finance with Arthur Anderson from 2001-2003. She holds a BS in Business Administration (Major in Finance) and a BA in Economics from Fordham University.

Michael Eric I. Sarmiento, 50, was appointed as President & COO of Concepcion Business Services, Inc. (CBSI) on 9 March 2020. CBSI is the Shared Services Co. of CCAC that provides IT, HR, Finance & Accounting, Business Process Re-engineering, & Administrative Services to the Group. Mr. Sarmiento specializes in Finance & IT with almost 20 years of experience in Business & Systems Analysis, Business Intelligence, Data Analytics, IT Project Management & Consulting, and Management Accounting. Prior to joining CIC, hSVP & General Manager of its ROHQ, Primer Resources Corp and Deputy CFO of the Intellectual Property Venture Group (IPVG). He graduated from University of Sto. Tomas with a degree in Industrial Engineering and then got his MBA from University of the Philippines, Diliman, Q.C.

Omar C. Taccad, 51, was appointed Chief Compliance Officer last October 2019 and is the Vice President for Legal, Governance and Compliance of the Corporation since 9 July 2018. Prior to joining the Corporation, he was Assistant Corporate Secretary of PLDT Communications and Energy Ventures, Inc. (formerly Pilipino Telephone Corporation) and served as Corporate Secretary or Assistant Corporate Secretary of several subsidiaries of PLDT, Inc., where he was also Head of Subsidiaries Services Division – Corporate Affairs and Legal Services Group until 2017. He obtained his Juris Doctor degree from the Ateneo de Manila University and was admitted to the Philippine Bar in 1998.

Jayson L. Fernandez, 50, was elected as Corporate Secretary of the Company on 18 July 2013. He is a Partner in Romulo Mabanta Buenaventura Sayoc & de los Angeles and currently co-chairs its tax department. He obtained his A.B. Management Economics and Juris Doctor degrees from the Ateneo de Manila University and was admitted to the Philippine Bar in 1996.

Maria Tara A. Mercado, 33, was elected as the Assistant Corporate Secretary of the Corporation on 07 June 2017. She joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 2011 and is a Senior Associate. She graduated from the Ateneo de Manila University School of Law with a Juris Doctor degree in 2010 and was admitted to the Philippine Bar in 2011. She received her Masters of Laws degree from Columbia University in 2015, and passed the July 2016 New York bar exams.

The Executive Officers are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting, each to hold for a period of one (1) year.

ANNEX B

Description of Business

Concepcion Industrial Corporation (the "Company" or "CIC"), formerly Concepcion Airconditioning Corporation ("CAC"), is one of the Philippines' most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators, and has expanded into other consumer appliance products and building solutions, i.e., elevators and escalators. The Company is primarily a holding company which operates principally through its seven subsidiaries, Concepcion-Carrier Air Conditioning Company ("CCAC"), Concepcion Durables, Inc. ("CDI"), Concepcion-Otis Philippines, Inc. ("COPI"), Concepcion Business Services, Inc. ("CBSI"), Cortex Technologies Corporation ("CTC"), Alstra Incorporated ("Alstra"), Teko Solutions Asia Inc. ("Teko") and its two associates, Concepcion Midea Inc. ("CMIP") and Tenex Services, Inc. ("Tenex").

The Company's air conditioning and refrigeration products and brands have received numerous awards in recognition of their quality and value to customers. *Carrier* and *Condura* brand air conditioners have received "Most Trusted Brand" awards from *Reader's Digest Philippines* for each year for the past 15 and 13 years, respectively. *Condura* brand refrigerators received the same award starting 2012.

For the year ended 31 December 2019, the Company's pro-forma consolidated net sales and services amounted to P15.1 billion and its pro-forma consolidated net income was P1.4 billion and a profit after tax and minority interest of P947 million.

Principal Products or Services and their Markets

The Company has expanded its business beyond being a trusted expert in the air conditioning and refrigeration industries, toward becoming a complete consumer and building and industrial solutions company with a range of solutions and after-market service across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, and now Midea and Otis. These solutions are designed to serve a wide array of customers and structure types, from individuals and single families living in small residences to thousands of residents, visitors and workers spread across large residential towers and office buildings, entertainment facilities and commercial and industrial warehouses and factories. These solutions are also designed to meet a variety of different needs, such as durability, noise reduction features, aesthetical appeal, varying price points and customized features to match individual requirements. Moreover, many of the Company's air conditioning and refrigeration solutions are designed to meet the growing demand for energy efficient technologies, and the Company offers and will continue to develop these technologies as the demand for such solutions grows and the benefit payback in terms of reduced energy consumption becomes more widely known and accepted. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. The Company believes that these after-market services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company's air conditioning and refrigeration solutions from those of its competitors.

Subsidiaries and Joint Venture

As of year-end 2019, CIC has six major subsidiaries and an affiliate. The Company owns 60% of CCAC, 100% of CDI, CBSI, and CTC, 51% of COPI, and 40% of CMIP.

Concepcion-Carrier Air Conditioning Company

CCAC engages in the manufacture, sale, distribution, installation, and service of heating, ventilating, air conditioning, and refrigeration products and services for residential, commercial, and industrial use. CCAC is a joint venture of the Company with Carrier Corporation, which allows it to offer Carrier and Toshiba brand air conditioners and Totaline parts. CCAC also offers other brands such as Condura and Kelvinator. CCAC manufactures a select range of its air conditioning equipment at its factory in Light Industry and Science Park in Cabuyao, Laguna, Philippines, the Philippines' largest air conditioning facility with a capacity of approximately 500,000 units per year and a production area of 19,620 sq. m. CCAC's products are distributed and sold primarily in the Philippines. The Company believes CCAC has the largest share of the total air conditioning market in the Philippines as measured by revenues, including leading market positions in the residential, light commercial and commercial and industrial segments.

Concepcion Durables, Inc.

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brand refrigerators and freezers. CDI's refrigeration equipment is manufactured at its factory at Light Industry and Science Park in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. The CDI factory has a capacity of 300,000 units per year and a production area of 16,420 sq. m. The Company believes CDI had the largest share of the residential and light commercial ("RLC") refrigeration market in the Philippines in 2016 as measured by revenues.

Concepcion Midea, Inc. (CMIP)

The Company and CCAC recently formed of a joint venture which aims to introduce Midea brand products in the Philippine market as a supplier of a whole range of appliances such as air conditioners, refrigerators, and laundry and kitchen appliances. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow it to expand into the wider white goods market. Established in 1968, Midea is a leading white goods and air conditioning systems manufacturer, with operations around the world, recording approximately U.S.\$16.6 billion in revenues in 2012. Midea is a brand leader in China and has 16 domestic production bases in China as well as overseas production bases in Vietnam, Belarus, Egypt, Brazil, Argentina, and India. It is also a joint venture and/or business partner of Carrier Corporation in selected countries worldwide.

Concepcion Midea Inc. (CMI), is an entity registered and doing business in the Philippines. CIC has a 40% effective share in CMI.

Concepcion Otis Philippines Inc (COPI)

COPI's primary business is to import, buy and sell, at wholesale, distribute, maintain and repair, elevators, escalators, moving walkways, and shuttle systems and all supplies, material, tools, machinery and part/components. In March 2014, CCAC acquired 85% of the outstanding shares of the Company from UTC-Asia Pte Ltd., who retained 15% ownership. Following the acquisition, CIC became the Company's ultimate parent owning 51% of the shares of COPI.

Concepcion Business Services, Inc. (CBSI)

CBSI's primary purpose is to render corporate back-office support services, directly or through licensed service providers and/or professionals, exclusively for the Company and its subsidiaries, affiliates, and/or related companies. Such services include, but are not limited to, bookkeeping, accounting, business consultancy, governance, risk management and assurance, financial planning, reporting and analytics, human resources and information, technology services. CBSI is a wholly-owned subsidiary of CIC.

Cortex Technologies Corporation (CTC)

CTC engages in the research, development and commercialization of new and emerging technologies. CTC also develops strategic partnerships and identifies potential acquisitions, both locally and abroad, to develop solutions that are aligned with CIC's broader vision of building better lives and businesses. CTC is a 100% owned subsidiary of CIC, and works across the enterprise to help facilitate innovation, and maintain CIC's position as a market leader.

Alstra, Inc.

Alstra is a 100% owned subsidiary of CIC and was organized to engage in the business of consultancy, construction, design and engineering and supply of equipment for mechanical, electrical, plumbing and fire protection services, and to engage in the business of facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions- related services.

Teko Solutions Asia, Inc.

On October 31, 2018, CTC entered into a stock purchase and shareholders agreement (SPSA) for the purchase of 30% of the issued and outstanding shares of Teko equivalent to 6,000 shares for P19.9 million. The purchase of 30% interest was made on November 27, 2018. The actual issuance of additional 8,572 shares of Teko equivalent to 21% interest happened in January 17, 2019. As at December 31, 2018, Teko was considered as a subsidiary of the Company as a result of the latter's significant representation in Teko's Board of Directors, representing control over Teko's operations. Teko was incorporated and registered with the Philippine SEC on September 5, 2017. Teko's primary business is providing information technology solutions, I.T. enabled services, e-commerce, web design, and applications, to enterprise, consumers, businesses, institutions and other end-users without engaging in mass media, advertising nor in telecommunication activities.

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

This is not relevant to the operations of the Company.

Distribution Network

The Company's principal office is located along 308 Sen. Gil Puyat Avenue, Makati City Philippines 1209. It also has two manufacturing plants in Cabuyao, Laguna.

Status of Publicly-Announced New Product or Service

All publicly-announced new products or services of the Company are in commercial distribution.

Competition

The markets for the Company's products are highly competitive and there is considerable pressure to reduce prices, especially when faced with an economic downturn and possible reductions in consumer demand. Price competition has been fierce with shortening product cycles and an emphasis on price and technology leadership. The Company's primary competitors are *Panasonic, LG, Mitsubishi* and *Trane* in the air conditioning market and *Panasonic, Samsung, Sharp* and *LG* in the domestic refrigeration market. In addition, the Company is a new entrant in the distribution of VRF systems, having only entered the market in 2012. Significant new competitors or increased competition from existing competitors may adversely affect the Company's business, financial condition and results of its operations by driving prices down. It faces strong competitors, who may later prove to have larger market presence and/or greater resources in a given business area, as well as the likely emergence of new competitors. Some industries in which the Company operates may undergo consolidation, which may result in stronger competition and a change in its relative market position. In response to an increasingly competitive environment, the Company and other manufacturers may be forced to increase efficiency or expand its sourcing activities in order to reduce costs. There can be no assurances that the Company will be able to adapt to these changes and increase or maintain its market share. Product improvements or effective advertising campaigns by competitors may also weaken consumer demand for the Company's products, and some competitors may be willing to reduce prices and accept lower profit margins to compete with the Company. As a result of this competition, the Company could lose market share and sales, or be forced to reduce its prices to meet competition, which could adversely impact its margins. If the Company's products are unable to compete successfully, its sales, result of operations and financial condition could be materially and adversely affected.

Sources and Availability of Raw Materials and Names of Principal Suppliers

The Company's chief raw materials are aluminum, copper and steel, all of which are imported. Major sources include Taiwan and China for aluminum; Malaysia and China for copper; and Taiwan, China, Korea, and Italy for steel. The Company also imports compressors, motors and finished goods. During the year ended December 31, 2012, approximately 70% of the raw materials and components used in the production of the Company's air conditioning and refrigeration products were imported. The Company's business is affected by the price, quality, availability and timely delivery of the various raw materials and components that it uses in the manufacture of its products. Its business could, therefore, be adversely impacted by factors affecting its suppliers. While supply problems can affect the performance of its business as a whole, the Company is particularly sensitive to supply problems related to the above raw materials. Supply forecasts are set every three to six months, depending on the supplier, with pricing terms set annually.

Customer Concentration

The Company has a diversified customer base with its loan portfolio and deposit mix skewed towards a robust client list of our Corporate and Commercial segments. That said, the Company is not dependent upon single customer, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole.

Transactions with and/or Dependence on Related Parties

In the normal course of business, the Company transacts with companies, which are considered related parties under applicable Philippine laws and regulations. All such transactions were carried out on an arms' length basis.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

The Company owns the *Condura* trademark, is a party to licensing agreements for the *Carrier* and *Kelvinator* brands, and has patents for its innovations such as the energy saving plug. While the Company attempts to protect its intellectual property rights through patents, trademarks, copyrights and trade secret laws on a continuous basis, any failure to obtain or adequately protect its intellectual property rights, product innovations or manufacturing processes may substantially diminish the Company's competitiveness and adversely affect its business.

Furthermore, any measures taken by the Company to protect its intellectual property rights may prove inadequate to prevent third parties from infringing or misappropriating its intellectual property. For instance, there have been instances when *Carrier, Kelvinator, or Toshiba* products have been brought to the Philippines and sold by sellers, retailers, and distributors illegally and without any license agreements, effectively infringing the Company's rights. As a result, the Company may need to resort to litigation to enforce or defend its intellectual property rights. If a competitor or collaborator files a patent application claiming technology also claimed by the Company, or a trademark application claiming a trademark, service mark or trade dress also used by the Company, in order to protect its rights, the Company may have to participate in expensive and time consuming proceedings. Similarly, the Company's intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. Furthermore, the Company's competitors may "design around" its intellectual property or independently develop technologies that are substantially equivalent or superior to the Company's technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require the Company to incur substantial costs, including the diversion of the time and resources of management and technical personnel.

To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to the Company's proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in the Company's favor. The risk that other parties may breach confidentiality agreements or that the Company's trade secrets may become known or independently discovered by competitors could harm the Company by enabling its competitors, who may have greater experience and financial resources, to copy or use the Company's trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of the Company's trade secrets would impair its competitive position, thereby weakening demand for its products or services and harming its ability to maintain or increase its customer base.

Need for Government Approval of Principal Products or Services

The Company's principal products and services are offered to customers only upon receipt of the necessary regulatory approval or clearances.

Effect of Existing or Probable Governmental Regulations on the Business

The Company has strictly complied with all Securities and Exchange Commission and Philippine Stock Exchange, Inc.'s (the "Exchange") requirements.

Amount Spent on Research and Development Activities

The Company has a strong local R&D organization with over 30 in-house engineers who are focused on designing and developing quality products. In addition, the local R&D organization obtains continuous support from various *Carrier*-affiliated companies. The Company also owns the only R&D facility in the Philippines equipped with six and two testing laboratories in its air conditioning and refrigeration factories, respectively. This allows for a shorter lead time for new product introductions, enables flexibility for the customized requirements of key customers in both the residential and commercial segments, and facilitates the establishment and implementation of a framework for continuous technology development.

Costs and Effects of Compliance with Environmental Laws

The Company is compliant with all Environmental Laws pertaining to their industry standards. There are no added costs and effect implications of the compliance on the operations of the Company.

Complement

In support of the Company's strategic growth initiatives, complement increased from 998 regular and probationary employees to 1,395 for 2018.

Risk Management

The Company's risk management organization and culture is a fundamental component of its corporate governance.

Policy Statement

The Corporation believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the market place. Thus, the business and operations of the Company will be conducted in accordance with the principles and best practices of good corporate governance.

The Revised Corporation Code lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (Republic Act No. 8799), the rules issued by the Securities and Exchange Commission ("SEC" or "Commission") to implement Republic Act 8799 and the Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009), this Manual, and the charters of the Board Committees. All terms defined herein shall have the definitions given in the rules implementing Republic Act 8799.

Risk Management Organization

The Company is currently in the process of formalizing an enterprise-wide Risk Management Organization and assessment processes.

General Principles

Risk Exposure	Risk Management Policy	Objective
Strategic	The Company believes that risk management is critical to long-term value creation. Companies shall proactively handle its risks	Enterprise Risk Management will provide the solid platform that will enable each of the Companies in

	and use the management of these risks as a tool to further enhance shareholder value through greater competitiveness and an improved capacity to take risks.	the Concepcion Group to achieve the following objectives: <ul style="list-style-type: none"> To establish sustainable competitive advantage To pursue strategic growth opportunities with greater speed, skill and confidence
Operational	By embedding the risk management process into the day-to-day line of operations, each Company fosters a culture of risk management and enables sound decision-making at every level of the organization.	<ul style="list-style-type: none"> To balance risk and reward Eliminate and/or minimize operational loss To optimize risk management cost
Governance and Internal Controls	Risk management is a fundamental element of effective corporate governance and an integral part of sound management practice in each operating entity.	To implement sound and effective corporate governance model and internal control mechanisms to achieve the goals and objectives of the Company and manage the consequences of a crisis situation.
Financial	Management believes that the key to managing financial risk is transparency and accuracy.	To implement a timely and effective financial reporting process that accurately reflects the financial state of each of the Companies.

Additional Requirements as to Certain Issues or Issuers

Debt Issues

The Company has not issued any debt instruments.

Equity Issues

On November 27, 2014, the Company listed a total of 261,244,002 common shares in the Exchange (the "Exchange"). In 2014, the Corporation declared a 30% stock dividend amounting to Php78,373,201, divided into 78,373,201 common shares with a par value of Php1.00 per share, from the unrestricted retained earnings of the Corporation as of December 31, 2013, which was issued from the unissued portion of the authorized capital stock of the Company. 23 additional shares were issued from the stock dividend to account for the rounding up of fractional shares to one share. The record date and payment date for the stock dividends were August 22, 2014 and September 8, 2014, respectively. All of the shares issued by virtue of the stock dividend have also been listed on the Exchange.

In 2017, the Corporation declared a 20% stock dividend amounting to Php67,646,665, divided into 67,646,665 common shares with a par value of Php1.00 per share, from the unrestricted retained earnings of the Corporation as of December 31, 2016, which was issued from the unissued portion of the authorized capital stock of the Company. The record date and payment date for the stock dividends were July 10, 2017 and August 3, 2017, respectively. All of the shares issued by virtue of the stock dividend have also been listed on the Exchange.

Properties

As of the date of this Report, the Company does not own any material real properties, and all of its manufacturing facilities and laboratories are located on land owned by CII.

The Company leases all real property and facilities for its air conditioning manufacturing facilities and laboratories from CII under a lease agreement.

The Company's refrigeration manufacturing facilities and laboratories are situated on land owned by CII. Currently, the Company does not maintain a lease agreement with CII for these facilities, instead paying all property related expenses and real estate tax associated with such land.

Office space and warehouses for the Company's air conditioning products as well as other white goods distributed through CMIP are covered by a lease agreement with Foresight Realty Development Inc.

Legal Proceedings

In the ordinary course of business, the Company is a party to various legal actions that it believes are routine and incidental to the operation of its business. In the opinion of the Company's management, the outcome and potential liability of these aforementioned legal actions are not likely to have a materially adverse effect on the Company's business, financial condition and results of operations

Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the period reckoned from the last annual stockholders' meeting.

Market Information

The Company's Common Shares were officially listed and first traded at the Exchange on November 27, 2013. In view of the stock dividend declared and paid in 2014 and 2017, CIC has listed a total of 407,263,891 shares on the Exchange. The share price as at the close of business on June 17, 2020 was Php21.80.

The price performance of the shares for each quarter has been follows:

(Philippine Peso)	High	Low
Quarter ended December 2017	68.00	62.00
Quarter ended March 2018	65.40	59.10
Quarter ended June 2018	62.35	55.00
Quarter ended September 2018	61.60	38.00
Quarter ended December 2018	39.75	33.45
Quarter ended March 2019	43.50	37.00
Quarter ended June 2019	46.10	42.00
Quarter ended September 2019	42.00	32.05
Quarter ended December 2019	32.80	26.00
Quarter ended March 2020	26.00	24.00

Holdings

The Company had approximately 833 shareholders of record as May 31, 2020. Common shares outstanding as of said date stood at 403,218,091 which 23.63% are held by foreign shareholders.

The top 20 shareholders as of May 31, 2020 based on PDTC report are as follows:

	Name of Shareholder	No. of Shares Held	%
1	PCD Nominee Corporation – Filipino	224,250,500	55.62
2	PCD Nominee Corporation – Non Filipino	95,282,413	23.63
3	Horizons Realty Inc.	85,545,036	21.22
4	Sole Luna Inc	998,963	0.25
5	MACRIC Incorporated	786,669	0.20
6	Gemiliano S. Manalili and/or Alma B. Manalili	2400	0
7	John T. Lao	1560	0
8	Mary Joan Ilao-Ante	780	0
9	Ernesto L. Ponce and/or Sarah Villanueva	600	0
10	Joselito Corpus Herrera	324	0
11	Hanson Chua Go	324	0
12	Angelo Decretales Mabuhay	156	0
13	Nadezhda Iskra Ferranco Herrera	100	0
14	Jaybee C. Baraquel	100	0
15	Gabrielle Claudia F. Herrera	100	0

16	Cesar A. Buenaventura	3	0
17	Melito S. Salazar	3	0
18	Raul Joseph A. Concepcion	3	0
19	Renna C. Hechanova-Angeles	3	0
20	Jose Ma. A. Concepcion III	3	0

DIVIDENDS

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

Cash dividends declared for the three years ended December 31 are as follows:

Date declared	Dates paid	Per share	2019	2018	2017
April 3, 2019	May 16, 2019	1.20	486,606	-	-
April 6, 2018	May 18, 2018	1.20	-	487,056	-
April 4, 2017	May 16, 2017	1.00	-	-	338,233

On April 4, 2017, the Company's Board declared cash dividends in the amount of P1.00 per share totaling P338.23 million for shareholders of record as at April 20, 2017, which was paid on May 16, 2017.

On June 7, 2017, the Company declared stock dividends amounting to P67.65 million divided into 67,646,665 common shares with a par value of P1.00 per share from unrestricted retained earnings as of December 31, 2016. Any fractional shares resulting from the stock dividend was rounded up to one share, and the record and share issuance dates are July 10, 2017 and August 3, 2017, respectively.

On April 6, 2018, the Company's Board declared cash dividends in the amount of P1.20 per share totaling P487.06 million for shareholders of record as at April 23, 2018, which was paid on May 18, 2018.

On April 3, 2019, the Company's Board declared cash dividends in the amount of P1.20 per share totaling P487.06 million for shareholders of record as at April 22, 2019, which was paid on May 16, 2019.

On May 13, 2020, the Company's Board declared cash dividends in the amount of P0.70 per share totaling P284.02 million for shareholders of record as at May 27, 2020 which is payable on or before June 17, 2020.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities within the past year.

Events that will trigger direct or contingent financial obligation that is material to the company including any default or acceleration of an obligation. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There is no such event within the reporting period.

Management Discussion and Analysis or Plan of Operation

The following tables present information from the Company's Consolidated Financial Statements as of December 31, 2019, 2018 and 2017, and for the three years ended December 31, 2019, 2018 and 2017 as audited by Isla Lipana & Co., the independent auditors.

Factors Affecting the Company's Results of Operations

Factors affecting the Company's financial and operational results in the full year of 2019.

Macroeconomic Fundamentals: The Philippine economy continues to be healthy but growth is slower than expected. Inflation and FX show some easing up compared with Q4 2018. Consumer confidence has become positive starting Q3 to Q4 2019. While outlook for buying conditions for big-ticket items improved on a quarter-on-quarter basis, this was weaker year-on-year affecting the growth in the consumer lifestyle segment.

Weather and Seasonality: The Company experienced seasonal and weather-related fluctuations in its operations, particularly on consumer air conditioning segments. Q3 2019 saw weak to moderate El Niño conditions.

Construction Sector Developments: The Company's commercial AC segment revenue as well as its elevator and escalator brands are dependent upon its ability to secure and retain the business of large property developers as well as industrial institutes and material accounts. Given the delay in the approval of the national budget, short-term expectations on construction starts did not materialize. This is further aggravated with the deferred expansion activities of key national accounts reflecting weaker pipeline and orders for the commercial segment, ultimately bringing down the performance for H1. However, the segment picked up on the second half of the year as the construction sector improved driven by strong growth in civil infrastructure, office, industrial, and retail and hospitality. This rise in momentum allowed the Company to achieve strong order growth in commercial AC of 26% at the end of 2019.

Commodity Prices and Foreign Exchange Fluctuation: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials expense represents about 75% of the Company's manufactured cost of sales. Starting Q3 2019, commodity prices decreased compared to 2018 despite short-term volatility, while FX has become relatively more stable. This favorability in commodity prices and FX coupled with further cost reduction and efficiency efforts allowed the Company to leverage on substantial cost savings.

Description of Selected Income Statement Items

Net Sales:

The Company generates revenues primarily from sales of its air conditioning units and refrigeration units through its subsidiaries CCAC and CDI.

Segment Breakdown:

The following table presents a breakdown of the Company's revenues, cost of sales and gross profit by respective business for the period indicated (amounts are in millions):

	For the years ended December 31		
	2019	2018	2017
Net Sales and Services			
Consumer Lifestyle Solutions	11,160	10,233	10,075
Building & Industrial Solutions	3,886	3,952	3,771
Others	20	16	13
Total	15,066	14,201	13,859
Cost of Sales and Services			
Consumer Lifestyle Solutions	7,181	6,570	6,492
Building & Industrial Solutions	2,484	2,541	2,557
Others	15	8	13
Total	9,680	9,119	9,062
Gross Profit	5,386	5,082	4,797

Costs and Expenses:

- Cost of sales and services
The Company's cost of sales and services comprise the cost of finished goods, raw materials used for the Company's manufactured products, installation costs, labor, and manufacturing and service overhead.
- Expenses

The Company's operating expenses include employee costs, outside services, freight out, rent and utilities, warranty cost, marketing and advertising costs, transportation, travel and entertainment, provisions for commission, impairment of receivables, and obsolescence legal disputes and assessments, repairs and maintenance, royalties, non-income taxes and licenses, depreciation and amortization, commission expense, supplies, insurance, and professional fees.

Other net operating income comprises interest income on bank deposits and short-term placements, interest expense on loans, commission income, foreign exchange gains or losses and service income.

Provision for Income Tax:

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

Net Income Attributable to Parent:

Net income attributable to Parent represents the Company's share at 60% of the net income of CCAC, 100% of the net income of CDI, 100% of the net income of CBSI, 100% of the net loss of CTC, 100% of the net loss of Alstra, effectively 52% of net loss of Teko, and effectively 51% of the net income of COPI.

Key Performance Indicators

The Company monitors its financial and operating performance in terms of the following indicators:

	For year ended December 31, 2019	For year ended December 31, 2018	For year ended December 31, 2017
Gross Profit Margin (%)	35.7%	35.8%	34.6%
Profit Before Tax (%)	13.8%	15.1%	16.2%
Net Income Attributable to Shareholders (Php Millions)	946.8	913.2	987.2
Net Income Attributable to Shareholders (% to Sales)	6.3%	6.4%	7.1%
Return on Average Equity (%)	18.7%	19.5%	23.8%
Return on Average Assets (%)	12.4%	13.7%	15.9%
Earnings per Share*	2.3	2.3	2.4

	As at December 31, 2019	As at December 31, 2018	As at December 31, 2017
Debt to Equity Ratio	0.7	0.6	0.7
Asset-to-Equity Ratio	1.7	1.6	1.7
Book Value Per Share*	12.9	12.0	11.0

Key Performance Indicator	Definition
Gross Profit Margin	Gross Profit/Net Sales
Profit Before Tax	Profit before Tax/Net Sales
Return on Average Equity	Net Income after Minority Interest/ Average Shareholder's Equity net of Minority Interest
Return on Average Assets	Net Income / Average Assets
Debt to Equity Ratio	Total Liabilities/Total Equity
Asset-to-Equity Ratio	Total Assets/Total Equity
Earnings Per Share	Net Income after Minority Interest/Average Shares Outstanding
Book Value Per Share	Shareholder's Equity net of Minority Interest/Total Shares Outstanding

*Total Number of Shares used is 405,243,218 in 2019, 405,795,291 in 2018 and 405,879,791 in 2017.

RESULTS OF OPERATIONS

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

CIC achieved for the year ended December 31, 2019 P1.43 billion in consolidated income, a 1.9% decline from 2018, with profit after tax after minority interest (PATAMI) at P947 million, a 3.7% increase from 2018. Profit before tax was at P2.08 billion vis-à-vis 2018's P2.14 billion.

The results of operations of CIC for the year ended December 31, 2019 closed on a positive note with net sales experiencing a growth of 6%, which improves to 13% when sales attributable to Midea is considered. Topline growth was supported by a strong economy, continued strength in the consumer markets, recovery in the commercial market segment, and market share gains driven by product introductions and strong execution of programs.

While the first half of 2019 was heavily affected by the tailwinds experienced by the construction sector along with challenges on supply chain and aftermarket, the second half of 2019 showed upward performance trajectory with consolidated six months profit after tax of P647 million and PATAMI of P460 million, translating to a 32.9% increase in PATAMI from the same period in 2018. Top-line results showed a 12.1% increase compared to second half of 2018 ending at P7.30 billion. Performance for the second half of the year was attributed to consumer sell-in gains and notable are market share expansions seen particularly in window AC and refrigeration as new product introductions helped in achieving these results. Government spending also increased in the second half of the year driving construction activity resulting to a momentum recovery for the commercial segment.

Net sales and services

For the year ended December 31, 2019, the total consolidated net sales and services was at P15.07 billion, an increase of 6.1% from last year.

The Consumer Lifestyle Solutions (CLS) Division posted a comparative year increase in sales of 9.1% to P11.16 billion, driven by growth in Consumer AC particularly window AC and refrigeration segments. The growth in the refrigeration segment was driven by price repositioning, continued organizational strengthening and new product introductions particularly on no-frost and chest freezer lines. While unconsolidated, there was continuous growth momentum in the consumer appliance business in 2019 (CMIP) due to aggressive growth in distribution, strong execution of e-commerce strategies, strong traction in small to medium sized projects and the introduction of Toshiba consumer appliances.

The Alstra Division consisting of commercial AC, elevators and escalators posted a comparative year decrease in sales of 1.7% to P3.89 billion. The decline is highly attributable to the delay in the approval of the national budget resulting to deferred expansion activities of nationwide Key Accounts during the first half of 2019. However, there was substantial improvement during the second half of 2019 due to improved momentum for the construction sector evidenced by the 26% growth in AC orders for 2019.

Gross Profit and Margins

CIC registered consolidated gross profit of P5.39 billion for the year ended December 31, 2019, a 6% growth from last year. Gross margins remained stable due to strengthened cost reduction and efficiency efforts supported by a more stable FX and commodity prices during the year.

Operating Expenses

CIC's total operating expenses were at P3.37 billion for the year ended 2019, a 14.7% higher over last year. The increase in operating expenses came mainly from investments on organizational capacity and capabilities, sales support activities, and logistics infrastructure and facilities.

Other Operating Income and Finance Costs

The increase in other operating income to P71 million was mainly related to FX revaluation gains due to better FX fluctuations in 2019 compared to prior year.

FINANCIAL CONDITION

As at December 31, 2019 compared with as at December 31, 2018

Consolidated total assets as at December 31, 2019 was at P12.14 billion, up by P1.17 billion from end of 2018 balance of P10.97 billion. Marked increases in assets were from the adoption of PFRS 16 (right-of-use of assets), cash and cash equivalents, trade and other receivables, contract assets, and property and equipment, net of marked decrease in inventories.

As at December 31, 2019, consolidated net cash position was up by P281 million to P1.61 billion. Trade and other receivables were up by P135 million to P4.10 billion from end of 2018.

Higher cash and cash equivalents and trade and other receivables as at end of 2019 were a result of the commercial sales pick-up in the second half of 2019 which also resulted to the decrease in inventory of P506 million from last year.

Higher net property and equipment were investments in various machineries and equipment for the factory, and office building expansion.

Total liabilities as at December 31, 2019 amounted to P4.87 billion, a net increase of P645 million from end of 2018 mainly coming from increase due to the adoption of PFRS 16 (lease liabilities), trade payables and other liabilities, and increase in retirement benefit obligation due to significant decline in discount rate in 2019, net of decrease in short-term borrowings due to repayments in 2019.

RESULTS OF OPERATIONS

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

The consolidated net income of CIC for the year end 2018 was P1.46 billion, a 4.6% decrease from 2017. Correspondingly, PATAMI declined by 7.5% to P913 million. Profit before tax was at P2.14 billion vis-à-vis 2017's P2.25 billion.

The results of operations of CIC for the year ended December 31, 2018 was significantly affected by the various tailwinds it experienced in 2018 which included extremely rainy weather, depreciation of the peso, unprecedented rise in inflation rate and overall drop in both consumer and business confidence levels affecting short-term demand for durables.

Net Sales and Services

The total consolidated net sales and services of CIC increased by 2.5% to P14.2 billion for the year ended 2018. Sales performance in 2018 was affected by the unfavorable weather conditions, with the Philippines experiencing weak La Niña at the beginning of the year and then excessive volume and frequency of rains towards the third quarter. This resulted to market slowdown in both the airconditioning and refrigeration segments.

The CLS Division posted a 1.6% year on year increase to P10.2 billion. Amidst unfavorable weather conditions and overall market slowdown in Aircon, residential aircon business of CIC managed 3% growth while consumer appliances under Midea continue to build momentum forward with sales growth of 31% coming from strong laundry and kitchen sales whilst unconsolidated. Residential refrigeration on the other hand was challenged with aggressive competitor pricing and product availability resulting to share loss. CLS business in line with market, raised prices in order to mitigate the impact of commodity and FX.

The Building and Industrial Solutions (BIS) Segment consisting of commercial AC, elevators and escalators net sales and services combined was P4.0 billion, growing by close to 5% from year-ago figures. This segment continues to hold healthy backlog entering into 2019.

Gross Profit and Margins

The Company registered a consolidated gross profit of P5.1 billion for the year ended 2018, a 6.0% expansion versus the P4.8 billion gross profit registered last year. Gross margin % improved by 1.2 points to 35.8% from 2017's 34.6% as price increases taken by all product lines in 2018 have helped recover cost increases driven by commodity prices and continued fluctuations in FX.

Operating Expenses

Total operating expenses of CIC was at P2.9 billion, 16.5% higher over 2017. The increase in operating expenses came mainly from continued investments in organizational capability including ERP, seasonal increase in point of sales support, warehouse and facilities, depreciation and amortization costs. These were partially offset with lower spending related to royalty and insurance, recovery from excess and obsolete inventory and lower risk provisions for impairment of receivables for the period in line with its corporate policy on risk provisioning.

Investments in new ERP starting 2017 continues through 2018 as the company strives to improve its service to customers and provide employees high quality standard of work environment. The Company was in the ERP stabilization and optimization phase and improvements in progress, investments continued throughout 2018 to the affected entities CCAC, CMIP and CBSi.

Other Operating Income and Finance Costs

Other operating income of P24.6 million was mainly related to commission income from related parties offset by FX revaluation losses.

FINANCIAL CONDITION

As at December 31, 2018 compared with as at December 31, 2017

Consolidated total assets as at December 31, 2018 was at P11 billion, up by P518 million or 6.2% from end of 2017. Marked increase coming larger from inventory led to decrease in cash. The build-up of inventory is a result of lower than expected sales in Q3 coupled by inventory hedges to protect against cost increases. Contract assets represent adoption of new IFRS standard in revenue recognition.

Total liabilities amounted to P4.2 billion or P121.8 million increase from year ended 2017 coming mainly from short-term borrowings net of lower trade payables. Lower trade payables reflect the reduced Q4 purchases as a response to higher inventory.

Consolidated net cash position is down to P1.3 billion from P2.2 billion by end of 2017 with P425 million short-term borrowings by end of year 2018.

The net decrease in cash related to operating activities amounting P1.24 billion was mainly due to payment for inventory purchases offset by cash generated from income during 2018. The Company also invested net cash of P309 million in property and equipment for various machineries and equipment for the factory and the new ERP. Total of P919 million cash was also used for distribution of profits to shareholders.

RESULTS OF OPERATIONS

Year ended December 31, 2017 compared with year ended December 31, 2016

CIC sustained a positive performance for the full year 2017, posting a consolidated net income of P1.5 billion after reflecting provisions for income tax of P723 million. The net income stood at 9.1% higher compared to the end of 2016.

Net income attributable to Parent Company of P987 million also showed strong growth at 8.3% increase over the same period in 2016.

Income from operations grew 9.8% to P2.3 billion coming mainly from revenue growth. Volume growth was able to cover increases in operating expenses as well as impact of increase in commodity prices and fluctuations in FX causing CIC to end the year 2017 with higher earnings compared to same period in 2016.

Net Sales and Services

Total consolidated net sales and services for the year ended 2017 was at P13.9 billion, a 12.3% growth from 2016 driven by growth of both the consumer and commercial segments of CIC.

The CLS Division posted a year on year increase of 13.8% to P10.0 billion driven by growth in residential AC in the second half of 2017 and domestic refrigeration as consumer market segments continue to expand amidst strong economic fundamentals driven by consumer spending. Introduction of new products in 2017 also contributed to the sales growth particularly the inverter series of both residential AC and refrigeration.

The BIS Segment consisting of commercial AC, elevators and escalators grew at 8.3% to P3.8 billion coming from the delivery of backlog from existing projects. We saw steady progress of construction projects, both commercial and mega-residential during first three quarters of 2017. However, towards the latter part of 2017, there were some delays in project deliveries for commercial projects due to resource constraints on the developers' end. We see this led to continue in the near term resulting to possibly slower revenue recognition in this part of the business going into 2018.

Gross Profit and Margins

The Company registered a consolidated gross profit of P4.8 billion for the year ended 2017, a 9.3% increase versus the P4.4 billion gross profit registered in 2016.

Gross margin was at 34.6% of sales compared to 35.6% in same period in 2016. The decrease in margins of 1.0 pt was driven by increases in commodity prices and FX rate fluctuations partially offset by carry-over savings from 2016.

Operating Expenses

CIC's total operating expenses was at P2.5 billion, 7.8% higher over the comparable period in 2016. The increase in operating expenses came mainly from continued investments in organizational capability, point of sales support as well as infrastructure and facilities.

Investments in new ERP were also started in 2017 as the Company strives to improve its service to customers, provide baseline for continued technology enablement of its operations, and provide employees high quality standard of work environment.

Volume-related expenses particularly outbound freight and warranty were kept lower as percent to sales versus prior year as a result of various operational improvements and initiatives done throughout the year 2017.

Other movements in operating expenses include re-class of inventory obsolescence provision to cost of sales and personnel costs to outside services pertaining to charges of CBSi to other subsidiaries.

Other Operating Income and Finance Costs

Other operating income of P25.7 million was mainly related to commission income from related parties offset by FX revaluation losses.

Finance costs for the year 2017 were kept minimal with short-term borrowings fully paid within the third quarter of 2017.

FINANCIAL CONDITION

As at December 31, 2017 compared with as at December 31, 2016

Consolidated total assets as at December 31, 2017 was at P10.3 billion, up by P1.5 billion from end of 2016 balance of P8.8 billion. Marked increases in assets were from higher trade receivables, inventories, prepayments and net property and equipment.

The increase in trade receivables was from increase in revenues while growth in inventories was due to the pre-building of units in anticipation of the peak months of consumer AC in the first half of 2018. Increase in prepayments and other current assets represented the unamortized portion of various prepaid expenses such as insurance, rental and licenses. Higher net property and equipment was due to investments in ERP and various machineries and equipment for the factory.

Total liabilities amounted to P4.1 billion, an increase of P654 million from end of 2016 balance of P3.5 billion. The increase in liabilities came mainly from higher trade payables related to purchase of inventory. This was partially offset by P52 million decrease in income tax payable and P28 million decrease in other provisions.

Consolidated net cash position remained strong at P2.2 billion with zero borrowings from banks both by end of 2017 and 2016.

The cash generated from operating activities amounted to P1.2 billion. This was used mainly to finance distribution of profits to shareholders, investments in various machineries and equipment for the factory and the new ERP.

WORKING CAPITAL

As of December 31, 2018, 2017 and 2016, the Company's net current assets, or the difference between total current assets, including cash and cash equivalents, and total current liabilities, were P4,991 million, P4,703 million and P3,919 million, respectively, representing working capital sufficiency.

The Company's current assets consist of cash and cash equivalents, trade and other receivables, inventories and prepayments and other current assets. The Company's current liabilities consist of trade payables and other liabilities, provisions for warranty, income tax payable, and other provisions.

CASH FLOWS

The following table sets forth information from the Company's consolidated statements of cash flows for the years indicated (amounts in millions):

	For the years ended December 31		
	2019	2018	2017
Net cash flows provided by (used in) operating activities	2,748.3	(82.7)	1,160.2
Net cash flows used in investing activities	(375.6)	(317.3)	(289.6)
Net cash flows used in financing activities	(2,091.6)	(514.3)	(653.4)
Net increase (decrease) in cash and cash equivalents	281.1	(914.2)	217.2

The net cash flows provided by operating activities for the year ended 2019 were at P2,748.3 million which comprise income before provision for income tax of P2.08 billion, excluding adjustments, changes in working capital and interest received and including actual income tax paid. The drastic improvement in cash flows was mainly attributable to better

working capital management collectively stemming from improved inventory management, and better accounts receivable turnover from enhanced collection efforts.

In 2019, net cash flows used in investing activities were at P375.6 million, which resulted mainly from the acquisition of property and equipment and increase in short-term investments.

Net cash flows used in financing activities were at P2,091.6 million in 2019 which are mainly coming from net payments of dividends, short-term borrowings, lease liabilities and acquisition of treasury shares.

INDEBTEDNESS

The Company did not have long-term debt as of December 31, 2018.

CAPITAL EXPENDITURES

The Company makes regular capital expenditures annually to support its business goals and objectives, investing in ongoing maintenance of its property, plant and equipment. The Company has historically funded its capital expenditures primarily through working capital derived from operating income.

Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

There were no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Material Commitments for Capital Expenditures

The Company commitments for capital expenditures will be funded out of cash flows from operations.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Company's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There are no significant elements of income or loss that did not arise from continuing operations of the Company.

CORPORATE GOVERNANCE

a. The evaluation system established by the company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance

On December 7, 2011, the Securities and Exchange Commission (SEC) issued SEC Memorandum Circular No. 8 directing all publicly-listed companies to participate as respondents in the Corporate Governance (CG) Survey using the CG Scorecard as the survey instrument. Accomplishment of the CG Scorecard entailed doing a self assessment of the Company's current corporate governance practices. The Company submitted the accomplished CG Scorecard on May 31, 2019 to the Corporation Finance Department of the SEC. Out of this exercise, action programs were recommended to match best practices.

b. Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance

The Board of Directors approved the amendments to the Company's Manual on Corporate Governance on April 3, 2019 in compliance to the revised Code of Corporate Governance under Securities and Exchange Commission dated November 2009.

Committees of the Board

In October 2019, the Board reorganized its committees to strengthen its governance structure but retained the members appointed thereto during the organizational meeting of the Board. Each member of the respective committees named below has been holding office as of the date of this Report and will serve until his successor shall have been elected and qualified.

Executive Committee

The Executive Committee, which consists of not less than three members, including the Chief Executive Officer/President, is empowered, when the Board is not in session, to exercise the powers of the Board in the management of the business and affairs of the Company except with respect to the approval of any action for which stockholders' approval is also required; the filling of vacancies in the Board; the amendment or repeal of the Company's constitutional documents or the adoption of new by-laws, the amendment or repeal of any resolution of the Board which by its express terms cannot be so amended or repealed; the distribution of dividends to stockholders; and such other acts which are specifically excluded or limited by the Board or which are expressly reserved by the Revised Corporation Code to the Board.

The Executive Committee meets as often as it may be necessary to address all matters referred to it. Company-level executive committees meet at least once a month to discuss performance, forecasts, and key issues. A group-wide executive committee is convened at least once a year to review overall Company plans and strategies.

Audit and Risk Oversight Committee

The Audit and Risk Oversight Committee ("Audit Com") shall be composed of at least three appropriately qualified non-executive directors, majority of whom including the Chairman are independent directors. The Audit Com assists the Board in the fulfillment of its duties in relation to risk management, compliance, internal control and financial reporting. It also oversees internal and external audit functions with direct interface functions with internal and external auditors. For efficiency, the Board has determined that in lieu of creating a separate Related Party Transaction Committee, the Audit Com's functions shall include the review of related party transactions. The purposes, duties and powers of the Audit Com are set forth in the Charter of the Audit Com.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee ("CGN Committee") shall be composed of five members, three of whom including the Chairman are independent directors. The CGN Committee assists the Board in the performance of its functions (i) in defining corporate governance policies and attaining best practices, and (ii) ensuring the Board's effectiveness in governing the Company. It is also tasked to oversee the implementation of the Company's compliance programs and to evaluate and assess the performance of the Board. In terms of its nomination functions, the CGN Committee reviews, evaluates and presents to the Board the qualifications of individuals nominated to the Board. The purpose, duties and powers of the CGN Committee are set forth in the Charter of the CGN Committee.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee ("Comp Committee") is comprised of three members, including an independent director. The Comp Committee's primary function is to assist the Board in providing oversight in the compensation and remuneration of directors, senior management and other key personnel appointed by the Board. It is also tasked with ensuring that the compensation scheme is consistent with the Company's culture and strategy, effectively aligned with prudent risk taking, and commensurate with corporate and individual performance. The purpose, duties and powers of the Comp Committee are set forth in the Charter of the Comp Committee.

Strategy and Investments Committee

The Strategy and Investment Committee ("Strat Committee") shall be composed of at least five members. The Strat Committee's main function is to assist the Board in the effective discharge of its responsibilities concerning the Company's investment policies, strategies, with emphasis on: (i) reviewing, assessing and recommending to the Board the execution of major investments in new business opportunities within and outside of the Company's core business and the mechanism and form for undertaking such ventures through means such as mergers, acquisitions, joint ventures or wholly-owned subsidiaries, and (ii) providing guidance to Management in the identification, consideration, review analysis and selection, negotiation and execution of any such transactions and the form thereof. The purpose, duties and powers of the Strat Committee are set forth in the Charter of the Strat Committee.

The Company is in full compliance of all required disclosures related to the Manual.

Areas for improvement noted during the accomplishment of the CG Scorecard to match best practices will be addressed with positive action. The Manual is reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body.

c. Any deviation from the company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved, and the sanction/s imposed on said individual

The Company is in full compliance of all required disclosures related to the company's Manual of Corporate Governance.

d. Any plan to improve corporate governance of the company

Areas for improvement noted during the accomplishment of the CG Scorecard to match best practices will be addressed with positive action. The Company's Manual on Corporate Governance will be reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body.

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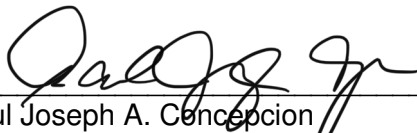
The Company undertakes to provide without charge to each person solicited, upon written request of any such person, a copy of Concepcion Industrial Corporation's Annual Report on SEC Form 17-A and the name and address of the person to whom such written request is to be directed. At the discretion of management, a charge may be made for exhibits, provided the charge is limited to reasonable expenses incurred by the registrant in furnishing the exhibits. Requests should be sent to: Atty. Jayson L. Fernandez, Office of the Corporate Secretary, 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Concepcion Industrial Corporation and Subsidiaries is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018 (with comparative figures and notes for the year ended December 31, 2017), including the additional components attached herein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

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



Raul Joseph A. Concepcion
Chairman of the Board and Chief Executive Officer



Ma. Victoria A. Betita
Chief Finance Officer

Signed this 14th day of April 2020

Concepcion Industrial Corporation and Subsidiaries

**Consolidated Financial Statements
As at December 31, 2019 and 2018 and for each of the three
years in the period ended December 31, 2019**



Independent Auditor's Report

To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
308 Gil Puyat Avenue
Makati City

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Concepcion Industrial Corporation and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2019;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2019;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for our Opinion

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

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

Independence

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
Page 2

Our Audit Approach

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

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

Key audit matters

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

Key audit matters (KAM) identified pertains to impairment of goodwill and adoption of lease standard.

KAM	How our audit addressed the KAM
<i>Impairment of goodwill</i> The Group has goodwill arising from its acquisition of Concepcion-Otis Philippines, Inc. (COPI) in 2014 and its acquisition of Teko Solutions Asia, Inc. (Teko) in 2018. Under PFRS, the amount of goodwill is required to be tested annually for impairment. This annual impairment test was significant to our audit since the related goodwill amounting to P802.362 million as at December 31, 2019 is material to the consolidated financial statements. In addition, management's assessment process is complex and is based on management judgment and assumptions, specifically average revenue growth rate and pre-tax adjusted discount rate, which are affected by expected future market or economic conditions. Note 28.2.1 to the financial statements presents management's disclosures on the judgments and estimates applied in assessing impairment of goodwill.	We evaluated the appropriateness of the work performed by management's third party valuation expert to assist us in evaluating the assumptions and methodologies used in management's valuation. We involved our internal expert in validating the methodology and assumptions adopted by management. We found the methodology used in valuation to be consistent with those used in the industry and with prior periods. The procedures performed to assess the reasonableness of management's assumptions include, among others, the following: <ul style="list-style-type: none">• Forecasted revenue growth We compared the average historical increase in revenue from actual past results of operations and growth rate of the elevator and escalator industry. We have also assessed revenue growth based on the Company's ongoing projects and projects commencing in 2020. Based on this work, we found the assumptions used to be aligned with historical experience and industry outlook.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
Page 3

KAM	How our audit addressed the KAM
	<ul style="list-style-type: none">• Pre-tax adjusted discount rate We compared the discount rate used against our internally developed benchmarks and our recalculation of the Group's weighted average cost of capital. The discount rate used by management was consistent with the weighted average cost of capital of comparable companies.
<p><i>Adoption of PFRS 16, Leases</i></p> <p>The Group adopted the new accounting standard for leases on January 1, 2019. The adoption was significant to the audit since the related right-of-use asset and lease liability amounting to P644.355 million and P637.548 million, respectively, are material to the consolidated financial statements. Also, identified contracts include leases of warehouses and storage spaces, and vehicles, which are voluminous and of varying terms, escalation clauses and renewal types, which should be carefully considered in the assessment and calculation. In addition, the calculation involves management judgement and estimate in identifying the borrowing rates used in each of the contracts.</p> <p>Note 28.2.1 to the financial statements presents management's disclosures on the judgments and estimates applied in the adoption of PFRS 16.</p>	<p>We obtained an understanding of the process of calculating right-of-use assets and lease liabilities, and assessed that the methodology used is aligned with the standards.</p> <p>We have reviewed the contracts register to ensure the completeness of the lease contracts considered in the calculation.</p> <p>We obtained the sources of assumptions used by management and performed the following procedures:</p> <ul style="list-style-type: none">• Lease payments and lease terms We have compared the details of sampled contracts to the data set used by management, taking into consideration the breakdown of payment per payment schedule and renewal options, respectively. Based on the procedures, we found the data aligned with the contracts.• Borrowing rate We have compared the borrowing rates used by management with those obtained from depositary banks and concluded that these are consistent with current interest rates on existing loans with similar periods.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS and SEC Form 17-A were obtained prior to the date of the audit report while the Annual Report is expected to be made available to us after the date of this auditor's report.

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
Page 4

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

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

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

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

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

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

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

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

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
Page 5

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cherrylin M. Javier.

Isla Lipana & Co.

Cherrylin M. Javier
Partner

CPA Cert. No. 68556

P.T.R. No. 0007703; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 0055-AR-5, Category A; effective until September 4, 2022

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 112-071-216

BIR A.N. 08-000745-009-2018; issued on December 10, 2018; effective until December 9, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 14, 2020



Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
308 Gil Puyat Avenue
Makati City

We have audited the consolidated financial statements of Concepcion Industrial Corporation and its subsidiaries (the "Group") as at and for the year ended December 31, 2019, on which we have rendered the attached report dated April 14, 2020. The supplementary information shown in Annex 68-C, Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration and Ownership Structure as required by Part I Section 4 and Schedules A, B, C, D, E, F, G, and H as required by Part II Section 6 of Rule 68 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information and schedules are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information and schedules have been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Cherrylin M. Javier
Partner

CPA Cert. No. 68556

P.T.R. No. 0007703; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 0055-AR-4, Category A; effective until September 4, 2022

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 112-071-216

BIR A.N. 08-000745-009-2018; issued on December 10, 2018; effective until December 9, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 14, 2020

*Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph*



Isla Lipana & Co.

Independent Auditor's Report on
Components of Financial Soundness Indicators

To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
308 Gil Puyat Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Concepcion Industrial Corporation and its subsidiaries (the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated April 14, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

Isla Lipana & Co.

Cherrylin M. Javier
Partner

CPA Cert. No. 68556

P.T.R. No. 0007703; issued on January 7, 2020 at Makati City

SEC A.N. (individual) as general auditors 0055-AR-5, Category A; effective until September 4, 2022

SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021

T.I.N. 112-071-216

BIR A.N. 08-000745-009-2018; issued on December 10, 2018; effective until December 9, 2021

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 14, 2020

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
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Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2019 and 2018
(All amounts in thousand Philippine Peso)

	Notes	2019	2018
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	1,606,096	1,325,419
Trade and other receivables, net	3	4,097,896	3,963,269
Contract assets	15	989,235	649,928
Inventories, net	4	2,332,697	2,839,062
Prepayments and other current assets		187,935	126,380
Total current assets		9,213,859	8,904,058
Non-current assets			
Property and equipment, net	5	683,010	555,572
Investment property	6	40,255	39,067
Investment in associates	7	119,113	81,109
Intangible assets, net	8	201,057	216,386
Goodwill	8	802,362	783,983
Right-of-use assets, net	19	644,355	-
Deferred income tax assets, net	9	366,487	321,301
Retirement benefit asset	20	3,276	3,177
Other non-current assets		64,012	63,393
Total non-current assets		2,923,927	2,063,988
Total assets		12,137,786	10,968,046
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	10	3,597,688	3,332,476
Short-term borrowings	13	45,000	425,000
Lease liabilities	19	198,841	-
Provision for warranty	11	22,054	30,915
Other provisions	12	42,358	47,557
Income tax payable		82,767	77,595
Total current liabilities		3,988,708	3,913,543
Non-current liabilities			
Retirement benefit obligation	20	429,720	293,975
Lease liabilities	19	438,707	-
Provision for warranty	11	13,365	18,414
Total non-current liabilities		881,792	312,389
Total liabilities		4,870,500	4,225,932
Equity			
Attributable to owners of the Parent Company			
Share capital	21	407,264	407,264
Share premium	21	993,243	993,243
Treasury shares	21	(146,528)	(73,759)
Retained earnings	21	4,063,053	3,605,823
Other comprehensive loss		(87,105)	(46,341)
		5,229,927	4,886,230
Non-controlling interest		2,037,359	1,855,884
Total equity		7,267,286	6,742,114
Total liabilities and equity		12,137,786	10,968,046

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2019
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2019	2018	2017
Net sale of goods	15	13,633,165	12,559,845	12,503,299
Sale of services	15	1,432,981	1,641,908	1,355,660
Net sales		15,066,146	14,201,753	13,858,959
Cost of sales and services	16	(9,680,378)	(9,119,421)	(9,061,853)
Gross profit		5,385,768	5,082,332	4,797,106
Operating expenses	17	(3,373,645)	(2,941,503)	(2,525,888)
Other operating income, net	18	71,422	24,632	25,733
Operating income		2,083,545	2,165,461	2,296,951
Interest expense	13, 19	(35,576)	(6,638)	(708)
Income before share in net income (loss) of associates and income tax		2,047,969	2,158,823	2,296,243
Share in net income (loss) of associates	7	30,638	(16,693)	(45,543)
Income before income tax		2,078,607	2,142,130	2,250,700
Income tax expense	9	(649,075)	(685,168)	(722,868)
Net income for the year		1,429,532	1,456,962	1,527,832
Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefits, net of tax	7, 20	(58,158)	2,216	(21,376)
Total comprehensive income for the year		1,371,374	1,459,178	1,506,456
Net income attributable to:				
Owners of the Parent Company		946,764	913,237	987,219
Non-controlling interest		482,768	543,725	540,613
		1,429,532	1,456,962	1,527,832
Total comprehensive income attributable to:				
Owners of the Parent Company		906,000	914,497	971,539
Non-controlling interest		465,374	544,681	534,917
		1,371,374	1,459,178	1,506,456
Earnings per share - basic and diluted	22	2.34	2.25	2.43

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2019
(All amount in thousand Philippine Peso)

Notes	Attributable to owners of the Parent Company					Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Retained earnings	Other comprehensive income (loss)		
	21	21	21	21	21	7	
Balances as at January 1, 2017	339,617	993,243	(59,824)	2,598,303	(31,921)	1,549,375	5,388,793
Comprehensive income (loss)							
Net income for the year	-	-	-	987,219	-	540,613	1,527,832
Remeasurement loss on retirement benefits, net of tax	-	-	-	-	(15,680)	(5,696)	(21,376)
Total comprehensive income (loss) for the year	-	-	-	987,219	(15,680)	534,917	1,506,456
Transactions with owners							
Cash dividends declared	-	-	-	(338,233)	-	(314,450)	(652,683)
Stock dividend declared	67,647	-	-	(67,647)	-	-	-
Total transactions with owners	67,647	-	-	(405,880)	-	(314,450)	(652,683)
Balances as at December 31, 2017	407,264	993,243	(59,824)	3,179,642	(47,601)	1,769,842	6,242,566
Comprehensive income							
Net income for the year	-	-	-	913,237	-	543,725	1,456,962
Remeasurement gain on retirement benefits, net of tax	-	-	-	-	1,260	956	2,216
Total comprehensive income for the year	-	-	-	913,237	1,260	544,681	1,459,178
Transactions with owners							
Cash dividends declared	-	-	-	(487,056)	-	(431,700)	(918,756)
Treasury shares	-	-	(13,935)	-	-	-	(13,935)
Total transactions with owners	-	-	(13,935)	(487,056)	-	(431,700)	(932,691)
Non-controlling interest adjustment	-	-	-	-	-	(26,939)	(26,939)
Balances as at December 31, 2018	407,264	993,243	(73,759)	3,605,823	(46,341)	1,855,884	6,742,114
Effect of adoption of new standard (Note 19)	-	-	-	(2,928)	-	(575)	(3,503)
Comprehensive income (loss)							
Net income for the year	-	-	-	946,764	-	482,768	1,429,532
Remeasurement loss on retirement benefits, net of tax	-	-	-	-	(40,764)	(17,394)	(58,158)
Total comprehensive income (loss) for the year	-	-	-	946,764	(40,764)	465,374	1,371,374
Transactions with owners							
Impact of restructuring to non-controlling interest (Note 7)	-	-	-	-	-	612,236	612,236
Cash dividends declared	-	-	-	(486,606)	-	(895,560)	(1,382,166)
Treasury shares	-	-	(72,769)	-	-	-	(72,769)
Total transactions with owners	-	-	(72,769)	(486,606)	-	(283,324)	(842,699)
Balances as at December 31, 2019	407,264	993,243	(146,528)	4,063,053	(87,105)	2,037,359	7,267,286

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2019
(All amounts in thousand Philippine Peso)

	Notes	2019	2018	2017
Cash flows from operating activities				
Income before income tax		2,078,607	2,142,130	2,250,700
Adjustments for:				
Provisions for (reversals of):				
Volume rebates, trade discounts and other incentives	3	1,020,270	593,436	125,903
Warranty cost	11	106,686	90,228	57,495
Commission	12	44,873	43,070	52,908
Impairment of receivables	3	3,589	5,835	6,029
Contingencies	12	4,844	25,505	16,862
Inventory obsolescence	4	(15,827)	(19,894)	(9,159)
Amortization of right-of-use assets	19	229,923	-	-
Depreciation and amortization of property and equipment	5	123,628	108,364	73,880
Retirement benefit expense	20	82,111	63,271	49,284
Interest expense	13, 19	35,576	6,638	708
Amortization of intangible assets	8	27,030	20,502	9,504
Share in net (income) loss of associates	7	(30,638)	16,693	45,543
Unrealized foreign exchange (gains) losses	25	(17,095)	8,264	(20,804)
Interest income on bank deposits, short-term placements and loan to related party	18	(17,037)	(12,097)	(9,367)
Gain on disposal of property and equipment	18	(681)	(3,731)	(4)
Operating income before working capital changes		3,675,859	3,088,214	2,649,482
Changes in:				
Trade and other receivables		(898,582)	(1,371,404)	(820,716)
Inventories		522,192	(530,373)	(381,525)
Prepayments and other current assets		(76,579)	(6,921)	(217,249)
Other non-current assets		(619)	(19,610)	4,505
Trade payables and other liabilities		280,191	(262,474)	687,296
Cash generated from operations		3,502,462	897,432	1,921,793
Income tax paid		(555,011)	(728,166)	(594,244)
Payments of provision for warranty cost	11	(120,596)	(138,068)	(66,341)
Payments of other provisions	12	(54,916)	(95,222)	(97,769)
Retirement contributions/ benefits directly paid by the Group	20	(29,837)	(21,774)	(8,331)
Interest received on bank deposits		6,215	3,146	5,118
Net cash provided by (used in) operating activities		2,748,317	(82,652)	1,160,226
Cash flows from investing activities				
Additions to property and equipment	5	(251,364)	(259,241)	(206,941)
Availments of short-term investments		(117,000)	-	(16,245)
Additions to intangibles	8	(11,701)	(49,294)	(33,171)
Payments for investments in shares of stock	7	(6,125)	(19,875)	-
Additions to investment property	6	(1,188)	(1,547)	(37,520)
Interest received from short-term placements and loan to a related party		10,822	8,953	4,249
Proceeds from disposal of property and equipment		979	3,754	4
Net cash used in investing activities		(375,577)	(317,250)	(289,624)
Cash flows from financing activities				
Cash distributions of profits	21	(1,382,166)	(918,756)	(652,683)
Payments of short-term borrowings	13	(495,000)	-	(200,000)
Principal repayment of lease liabilities	19	(221,138)	-	-
Proceeds from short-term borrowings	13	115,000	425,000	200,000
Acquisitions of treasury shares	21	(72,769)	(13,935)	-
Interest paid on lease liabilities	19	(28,566)	-	-
Interest paid on short-term borrowings	13	(7,010)	(6,638)	(708)
Net cash used in financing activities		(2,091,649)	(514,329)	(653,391)
Net increase (decrease) in cash and cash equivalents		281,091	(914,231)	217,211
Cash and cash equivalents as at January 1		1,325,419	2,240,085	2,022,836
Effects of foreign exchange rate changes on cash and cash equivalents		(414)	(435)	38
Cash and cash equivalents as at December 31	2	1,606,096	1,325,419	2,240,085

The notes on pages 1 to 68 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2019 and 2018 and for each of the

three years in the period ended December 31, 2019

(All amounts are shown in thousand Philippine Peso except number of shares,
per share amounts and unless otherwise stated)

Note 1 - General information

1.1 Registration and business

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. The Parent Company's subsidiaries (Note 29.2.1) are engaged in the manufacture, sales (except retail), distribution, installation and service of heating, ventilating and air conditioning (HVAC) products and HVAC services; manufacture, assembly, wholesale, retail, purchase and trade of refrigeration equipment; importation, buy and sell, at wholesale, distribute, maintain and repair, elevators, escalators, moving walkways, and shuttle systems and all supplies, material, tools, machinery and part/components thereof; rendering various corporate back-office support services directly or through duly licensed service providers and/or professionals, where necessary, exclusively for (CIC), its subsidiaries, affiliates and/or related companies, to undertake research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other products.

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

The Parent Company's primary shareholders are Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc., entities registered and doing business in the Philippines, which have equally divided equity over the Parent Company. These companies are beneficially owned by Filipino individuals.

As at December 31, 2019, the Parent Company has 833 shareholders (2018 - 819), each owning at least 100 shares.

The Parent Company's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. The Parent Company has three (3) regular employees as at December 31, 2019 and 2018.

1.2 Significant business developments

In 2016, the Parent Company subscribed and paid P60 million for half of 120 million common shares of Concepcion Business Services, Inc. (CBSI) which gave the Parent Company 100% controlling interest over CBSI. CBSI was organized primarily to render various corporate back-office support services including but not limited to bookkeeping, accounting, business consultancy, governance, risk management and assurance, financial planning, reporting and analytics, human resources, and information technology services, directly or through duly licensed service providers and/or professionals, where necessary, exclusively for the Parent Company, its subsidiaries, affiliates and/or related companies, and which will not involve the practice of any licensed profession. On November 21, 2017, the Parent Company subscribed and paid in full the remaining half or 60 million shares of CBSI amounting to P60 million.

On June 19, 2017, the Parent Company subscribed and paid P40 million for half of 80 million common shares of Cortex Technologies Corporation (CTC) for 100% controlling interest over CTC. CTC was organized primarily to undertake research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other products; to design, create, build, test, customize, upgrade, manufacture and sell prototypes and finished products; to process, analyze and share data gathered from such products, websites and applications, and provide business intelligence, to customers and other parties, to charge commissions for in-app purchases; to render and support project management and information technology services; and to enter into partnerships, joint ventures or other business relationships with individuals or entities to undertake the mentioned activities. On March 28, 2018, the Parent Company subscribed and paid in full the remaining half or 40 million shares of CTC amounting to P40 million that was payable as at December 31, 2017.

On April 6, 2018, the Board of Directors (BOD) and stockholders of Concepcion Durables Inc. (CDI) approved the increase in authorized share capital from 5,000 shares amounting to P500 million to 6,780 shares amounting to P678 million. The application for increase in authorized share capital was filed with SEC on December 14, 2018. Relative to the foregoing, the deposits for future share subscription received from the Parent Company on June 20, 2018 amounting to P178 million was classified as a component of equity in CDI's financial statement as at December 31, 2018. On April 2, 2019, the SEC approved CDI's application for increase in authorized share capital to P6.78 million shares at P100 par value per share. Consequently, the corresponding shares related to Parent Company's deposit for future share subscription amounting to P178 million were issued to the Parent Company.

On July 11, 2018, the CTC's BOD approved the increase in authorized share capital of CTC from 80 million shares amounting to P80 million to 200 shares amounting to P200 million, to fund potential partnership and business ventures. The application for increase in authorized share capital was filed with SEC on November 14, 2018. Consequently, the deposit for future share subscription from the Parent Company amounting to P60 million, that was received in two equal installments of P30 million on November 23 and December 23, 2018, was classified as a component of equity in CTC's stand-alone financial statement as at December 31, 2018. On January 31, 2019, the SEC approved CTC's application for increase in authorized share capital to P200 million shares at P1 par value per share. Consequently, the corresponding shares relating to the Parent Company's deposit for future stock subscription amounting to P60 million were issued to the Parent Company.

On October 15, 2018, SEC approved the incorporation of Alstra Incorporated (Alstra) where the Parent Company subscribed 500 million common shares amounting to P125 million, representing 100% ownership of Alstra's issued and outstanding shares. Alstra was organized to engage in the business of consultancy, construction, design and engineering and supply of equipment for mechanical, electrical, plumbing and fire protection services, and to engage in the business of facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services. On July 23, 2019 the SEC approved the reclassification of 50,000,000 unissued shares of common stock to preferred stock and the corresponding amendment of the Articles of Incorporation. Subsequently, Alstra issued to its Parent Company, preferred shares at a premium over par value at P20 per share for a total subscription price of P915,450,000.

On October 31, 2018, CTC entered into a stock purchase and shareholders agreement (SPSA) for the purchase of 30% of the issued and outstanding shares of Teko Solutions Asia Inc. (Teko) equivalent to 6,000 shares for P19.9 million. The purchase of 30% interest was made on November 27, 2018. The SPSA also provides that additional 21% interest will be subscribed by CTC on November 27, 2018 to increase its total ownership to 51% upon completion of certain provisions in the SPSA. The actual issuance of additional 8,572 shares of Teko equivalent to 21% interest happened on January 17, 2019. Refer to Notes 7 and 8 for the details of the acquisition.

As at December 31, 2018, Teko was considered as a subsidiary of the Parent Company as a result of the latter's significant representation in Teko's BOD, representing control over Teko's operations as at reporting date. Teko was incorporated and registered with the Philippine SEC on September 5, 2017. Teko's primary business is providing information technology solutions, I.T. enabled services, e-commerce, web design, and applications, to enterprise, consumers, businesses, institutions and other end-users without engaging in mass media, advertising nor in telecommunication activities.

In the first quarter of 2019, CTC subscribed and paid 21,250 of Teko's preferred shares amounting to P2,125.

On April 25, 2019, SEC approved the incorporation of Tenex Services, Inc. (Tenex) where Alstra subscribed 6,125,000 common shares at P1 per share, representing 49% ownership of Tenex's issued and outstanding shares. Tenex was organized to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, and such other activities related thereto, such as construction and mechanical maintenance services.

On August 28, 2019, the BOD of Alstra authorized the acquisition of 73,950 shares of stock, which represents 51% of the issues and outstanding capital stock, of Concepcion-Otis Philippines, Inc. (COPI) from CCAC. COPI is a joint venture between CCAC and United Technologies International Corporation Asia PVT LTD. (UTICA). On August 30, 2019, the BOD of CCAC authorized the sale and transfer of all its shares of stock in COPI to Alstra and Otis Elevator Company (Philippines), Inc. (OECPI) for a total selling price of P1,526 million. The selling price is based on the equity value of COPI of P1,795 million as determined by an independent appraiser. All taxes related to the transaction will be for the account of CCAC.

1.3 Approval of financial statements

On March 20, 2020, the Parent Company's BOD authorized the Audit and Risk Oversight Committee (Audit Com) to approve and authorize the issuance of the consolidated financial statements of the Parent Company for the year ended December 31, 2019.

On April 7, 2020, pursuant to the authority granted to it by the Parent Company's BOD, the Audit Com approved and authorized the issuance of the consolidated financial statements of the Parent Company for the year ended December 31, 2019.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2019	2018
Cash on hand	65	55
Cash in banks	720,627	640,438
Short-term placements	885,404	684,926
	1,606,096	1,325,419

Cash in banks and short-term placements amounting to P788,095 and P817,936 (2018 - P1,291,978 and P33,386) are made with universal and commercial banks, respectively. These earn interest at the prevailing bank deposit rates.

Short-term placements are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at rates ranging from 0.38% to 2.88% (2018 - 0.25% to 3.5%).

The carrying values of cash and cash equivalents, and short-term investments represent the maximum exposure to credit risk other than cash on hand. While these are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

Note 3 - Trade and other receivables, net

Trade and other receivables as at December 31 consist of:

	Note	2019	2018
Trade receivables			
Third parties		4,237,573	4,171,941
Related parties	14	2,558	25,144
Provision for volume rebates, trade discounts and other incentives		(308,965)	(339,214)
Provision for impairment of receivables		(95,316)	(121,228)
Net trade receivables		3,835,850	3,736,643
Non-trade receivables			
Related parties	14	75,442	22,710
Claims from suppliers		43,114	9,988
Advances to employees		32,948	34,264
Rental deposits		4,324	6,172
Others		106,218	153,492
		4,097,896	3,963,269

Provisions

The Group applies PFRS 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 to 60 months before January 1, 2019 and 2018 and the corresponding historical credit losses experienced within this period.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

- a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- b. Underperforming - some reminder/follow-ups are performed to collect accounts from counterparty.
- c. Credit impaired - constant reminder/follow-ups are performed to collect accounts from counterparty.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in such rates.

On that basis, the loss allowance as at December 31, 2019 and 2018 was determined as follows for both trade receivables and contract assets:

	High performing	Underperforming		Credit impaired	Total
	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	
Expected loss rate	Within 0% to 12%	Within 1% to 27%	Within 1% to 27%	Within 1% to 100%	
2019					
Trade receivables					
Third parties	2,339,240	1,245,802	572,742	79,789	4,237,573
Related parties	2,558	-	-	-	2,558
	2,341,798	1,245,802	572,742	79,789	4,240,131
Contract assets	989,235	-	-	-	989,235
Total	3,331,033	1,245,802	572,742	79,789	5,229,366
Loss allowance	725	789	14,013	79,789	95,316
2018					
Trade receivables					
Third parties	3,223,394	780,125	72,996	95,426	4,171,941
Related parties	25,144	-	-	-	25,144
	3,248,538	780,125	72,996	95,426	4,197,085
Contract assets	649,928	-	-	-	649,928
Total	3,898,466	780,125	72,996	95,426	4,847,013
Loss allowance	27,032	13,903	6,325	73,968	121,228

The Group has not experienced any defaults with respect to the outstanding balance of receivables from related parties and other classes of receivables, hence, no allowance was provided.

Advances to employees are realized through salary deductions. Rental deposits are expected to be applied to future lease obligations. All these accounts and other receivables do not contain impaired assets and are not past due.

The maximum exposure to credit risk at the reporting date are the respective carrying values of trade receivables, contract assets, other receivables and due from related parties as at reporting date.

Movements in the provision for impairment of receivables for the years ended December 31 follow:

	Note	2019	2018
Beginning		121,228	135,368
Provisions, net of reversals	17	3,589	5,835
Write-offs		(29,501)	(19,975)
Ending		95,316	121,228

Receivables written-off relate to customers with difficult economic situations and deemed not collectible despite collection efforts.

Movements in the provision for volume rebates, trade discounts and other incentives for the years ended December 31 follow:

	Note	2019	2018
Beginning		339,214	186,586
Provisions	15	1,020,270	593,436
Charges		(1,050,519)	(440,808)
Ending		308,965	339,214

Trade and volume discounts and other incentives presented in Note 15 include provisions and direct charges to profit or loss.

Note 4 - Inventories, net

Inventories, net as at December 31 consist of:

	Note	2019	2018
At cost			
Raw materials		1,008,372	1,479,604
Finished goods	16	1,210,302	1,168,691
Work in process	16	3,620	50,484
Inventories-in-transit		68,674	122,531
Spare-parts and supplies used in business		97,360	89,210
		2,388,328	2,910,520
Provision for inventory obsolescence		(55,631)	(71,458)
		2,332,697	2,839,062

For the year ended December 31, 2019, the cost of inventory recognized as expense and included in cost of sales and services amounted to P9,680,378 (2018 - P9,107,833; 2017 - P9,049,230) (Note 16).

Movements in the provision for inventory obsolescence on raw materials and finished goods as at December 31 are as follows:

	Note	2019	2018
Beginning		71,458	91,352
Reversals, net	16, 17	(15,827)	(19,894)
Ending		55,631	71,458

Reversals of provision for inventory obsolescence pertain to inventory items re-processed through production, costs of which are included as part of operating expenses (Note 17).

The provision for inventory obsolescence recognized as part of cost of services under materials and labor in 2019 amounted to P53 (2018 - nil; 2017 - P379) (Note 16).

Note 5 - Property and equipment, net

Details and movements of property and equipment as at and for the years ended December 31 follow:

	Machinery and equipment	Transportatio n equipment	Furniture, fixtures and office equipment	Tools and equipment	Leasehold improvements	Building improvements	Construction in progress (CIP)	Total
Cost								
At January 1, 2019	1,196,799	16,893	161,157	180,012	110,190	26,468	166,818	1,858,337
Additions	2,576	2,488	34,325	8,369	91,347	371	111,888	251,364
Retirement	(20,525)	(714)	(651)	-	-	-	-	(21,890)
Transfers/Reclassifications	118,614	-	15,188	9,677	14,231	962	(158,672)	-
At December 31, 2019	1,297,464	18,667	210,019	198,058	215,768	27,801	120,034	2,087,811
Accumulated depreciation								
At January 1, 2019	928,905	16,440	122,596	171,286	55,155	8,383	-	1,302,765
Depreciation and amortization	56,483	681	30,668	8,278	23,343	4,175	-	123,628
Retirement	(20,525)	(714)	(353)	-	-	-	-	(21,592)
At December 31, 2019	964,863	16,407	152,911	179,564	78,498	12,558	-	1,404,801
Net book values as at December 31, 2019	332,601	2,260	57,108	18,494	137,270	15,243	120,034	683,010
Cost								
At January 1, 2018	1,066,936	27,779	106,716	192,511	82,022	12,788	136,893	1,625,645
Additions	9,307	-	18,235	294	26,024	-	205,537	259,397
Retirement	(2,561)	(7,301)	(80)	(7,277)	(9,486)	-	-	(26,705)
Transfers/Reclassifications	123,117	(3,585)	36,286	(5,516)	11,630	13,680	(175,612)	-
At December 31, 2018	1,196,799	16,893	161,157	180,012	110,190	26,468	166,818	1,858,337
Accumulated depreciation								
At January 1, 2018	885,495	26,374	85,754	171,608	45,826	6,026	-	1,221,083
Depreciation and amortization	45,971	845	26,592	14,961	17,638	2,357	-	108,364
Retirement	(2,561)	(7,301)	(57)	(7,277)	(9,486)	-	-	(26,682)
Transfers/Reclassifications	-	(3,478)	10,307	(8,006)	1,177	-	-	-
At December 31, 2018	928,905	16,440	122,596	171,286	55,155	8,383	-	1,302,765
Net book values as at December 31, 2018	267,894	453	38,561	8,726	55,035	18,085	166,818	555,572

The cost of fully depreciated property and equipment still being used by the Group as at December 31, 2019 amounted to P1,126,620 (2018 - P1,109,945).

Depreciation and amortization for the years ended December 31 were charged to:

	Notes	2019	2018	2017
Cost of sales and services	16	74,018	66,214	47,266
Operating expenses	17	49,610	42,150	26,614
		123,628	108,364	73,880

Note 6 - Investment property

As at December 31, 2019 and 2018, the Parent Company's investment property consists of parcel of land that it acquired in Davao City, which is held for capital appreciation.

The estimated fair value of the investment property as at December 31, 2019 and 2018 amounted to P37,520, based on the last known selling price per square meter.

As at December 31, 2019, the Parent Company paid P1,188 (2019 - P1,547) to a sub-contractor for direct costs related to planned construction of an investment property which is booked as CIP under the investment property account.

There was no income earned related to the property for the years ended December 31, 2019 and 2018. Further, P68 direct operating expense for the investment property was incurred for the year ended December 31, 2019 (2018 - P321).

Note 7 - Investments in shares of stock

7.1 Associates

Details of movement in investment in associates for the years ended December 31 follow:

	2019	2018
At cost	266,125	260,000
Cumulative share in total comprehensive loss, beginning	(178,891)	(135,168)
Share in net income (loss) for the year	30,638	(16,693)
Share in other comprehensive income (loss) for the year	571	(91)
Direct charges to other comprehensive income (loss) attributable to NCI	670	(26,939)
Cumulative share in total comprehensive loss, ending	(147,012)	(178,891)
	119,113	81,109

7.1.1 CMI

The Parent Company has a subscription agreement with Concepcion Midea, Inc. (CMI), whereby the former subscribes from the increase in the authorized share capital of the latter. CMI is a Philippine entity engaged in the business of the manufacture, sale, distribution, marketing, installation and service of electronic appliance products. As at December 31, 2019 and December 31, 2018, the Parent Company and CCAC had a total of 110 million and 150 million shares equivalent to 22% and 150 million equivalent to 30% interests, respectively, in CMI making up for the Group's 40% effective interest. CMI was classified as an associate (Note 14).

The following are the summarized financial information of the associate as reported in its financial statements as at and for the years ended December 31:

	2019	2018
Current assets	990,480	692,947
Non-current assets	87,276	76,181
Current liabilities	(856,142)	(626,002)
Non-current liabilities	(34,563)	(19,893)
Total equity	(187,051)	(123,233)
Revenue	1,969,477	1,021,640
Net income (loss) for the year	61,424	(32,102)
Other comprehensive income	1,099	175
Total comprehensive income (loss)	62,523	(31,927)
Cash used in operating activities	(22,320)	(119,717)
Cash used in investing activities	(364)	(2,043)
Cash provided by financing activity	59,159	80,926

7.1.2 Tenex

On March 29, 2019, Alstra subscribed to 6,125,000 shares at P1 per share which is equivalent to 49% ownership of Tenex. Tenex is primarily engaged to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, and such other activities related thereto, such as construction and mechanical maintenance services (Note 1). On December 9, 2019, the Company issued a deposit for additional subscription of 8,575,000 shares of Tenex amounting to P8,575,000. Subsequent issuance of the additional shares will not change the Company's ownership at 49%.

The following are the summarized financial information of Tenex as at and for the year ended December 31, 2019:

	Amounts
Current assets	25,563
Non-current assets	1,201
Total liabilities	(16,921)
Total equity	(9,843)
Revenue	11
Net loss for the year	2,657
Total comprehensive loss for the period	2,657
Cash used in operating activities	(2,047)
Cash used in investing activities	(950)
Cash provided by financing activity	28,000

7.2 Subsidiaries

The subsidiaries of CIC are presented in Note 29.2.1.

The summarized financial information of subsidiaries with material non-controlling interest (NCI) as at and for the years ended December 31 are as follows:

7.2.1 CCAC

	2019	2018
Current assets	5,786,709	5,553,809
Non-current assets	1,169,589	1,795,132
Current liabilities	(2,539,015)	(2,671,968)
Non-current liabilities	(615,333)	(181,183)
Total equity	(3,801,950)	(4,495,790)
Revenue	9,709,186	9,446,891
Net income for the year	1,534,108	1,321,438
Other comprehensive income (loss)	(40,742)	2,163
Total comprehensive income	1,493,366	1,323,601
Cash provided by (used in) operating activities	1,944,875	(164,569)
Cash provided by (used in) investing activities	1,504,381	(20,450)
Cash used in financing activities	(2,879,560)	(540,070)

As at December 31, 2019, the carrying value of NCI amounted to P1,912,878 (2018 - P1,761,670). Distribution of profit to NCI of CCAC amounted to P876,060 (2018 - P412,200; 2017 - P289,700) (Note 21.2).

7.2.2 COPI

	2019	2018
Current assets	749,042	916,394
Non-current assets	96,933	63,853
Current liabilities	(403,355)	(550,769)
Non-current liabilities	(42,095)	-
Total equity	(400,525)	(429,477)
Revenue	884,031	874,507
Net income for the year	107,445	134,225
Other comprehensive (loss) income	(2,506)	230
Total comprehensive income	104,939	134,455
Cash (used in) provided by operating activities	(5,783)	125,006
Cash provided by (used in) investing activities	80,611	(214,455)
Cash used in financing activities	(143,933)	(130,000)

In 2019, CCAC sold its investment in COPI to Alstra and OECPI (Note 1). CCAC paid capital gains tax and documentary stamp tax with a total amount of P51,600 while CIC was indemnified of its 60% share of the total taxes paid amounting to P30,960 (Note 18). The sale did not change the effective ownership of CIC over COPI and the was based on the determined equity value of COPI at the date of sale which resulted to the adjustment of NCI amounting to P612,236.

As at December 31, 2019, the carrying value of NCI amounted to P158,550 (2018 - P126,080). Distribution of profit to NCI by COPI amounted to P19,500 (2018 - P19,500; 2017 - P24,750) (Note 21.2).

7.2.3 *Teko*

	2019	2018
Current assets	2,860	493
Non-current assets	5,766	81
Current liabilities	(16,901)	(1,967)
Total capital deficiency	8,275	1,393
Revenue	1,982	910
Net loss for the year	(11,989)	(2,499)
Total comprehensive loss	(11,989)	(2,499)
Cash used in operating activities	(13,104)	(1,442)
Cash used in investing activities	(789)	(109)
Cash provided by financing activities	15,938	857

As discussed in Note 2.1, CTC acquired 30% ownership interest in Teko on October 31, 2018. While actual transfer of additional 21% ownership in Teko happened only on January 17, 2019, control of CTC over Teko has already been assumed as at December 31, 2018 due to significant representation of CTC in Teko's BOD (Note 28.2.10).

In 2018, the fair values of the acquired net assets were determined provisionally as at acquisition date and were subjected to changes as the Group has yet to finalize the fair values of the net identifiable assets acquired due to the timing of completion of the acquisition. The transaction in relation to this acquisition, including the resulting goodwill and NCI, was not recognized as at and for the year ended December 31, 2018 since the related financial balances are not considered material to the consolidated financial statements.

In October 2019, the Group had finalized the purchase price allocation and made necessary adjustments at which time, the determination of goodwill is as follows:

	Amounts
Consideration transferred	20,732
NCI	2,261
Total	22,993
Less: Fair value of identifiable net tangible assets	(127)
Fair value of identifiable net intangible asset	(4,487)
Goodwill	18,379

On September 3, 2019, one of the shareholders of Teko sold 181 shares of its ordinary shares to CTC for a consideration of P600 increasing CTC's ownership to 14,750 shares or 52%. On December 19, 2019, CTC acquired 42,500 preferred shares for a consideration at par value.

CTC also subscribed 116,875 preferred shares of Teko for P11,688.

As at December 31, 2019, the carrying value of NCI amounted to P3,864. NCI's share on net loss of Teko amounted to P5,800.

Note 8 - Goodwill and intangible assets, net

8.1 Goodwill

Goodwill is the excess of consideration over proportionate share in fair value of net assets.

As at December 31, 2018, recognized goodwill resulted from the Parent Company's acquisition of COPI in 2014. The Group applied the proportionate interest approach to account for the resulting NCI from this business combination. The goodwill of P783,983 arising from the acquisition is attributable to an established brand, and customer and product base.

In 2019, the Group finalized the Purchase Price Allocation relevant to its acquisition of Teko in 2018. The goodwill of P18,379 arising from the acquisition is attributable to computer software (Note 7.2.3).

Impairment test for goodwill

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI as at December 31, 2019 and 2018. The Group did not recognize impairment losses for the years ended December 31, 2019 and 2018 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU) (Note 28.2.1).

Goodwill arising from the Group's acquisition of Teko was assessed as not impaired since the current carrying amount approximates its fair value as at December 31, 2019.

8.2 Intangible assets, net

Details and movements of intangible assets account at December 31 are shown below:

	Notes	Customer relationship	Customer backlogs	Computer software	Total
Cost					
At January 1, 2019		187,113	13,883	82,766	283,762
Additions		-	-	11,701	11,701
At December 31, 2019		187,113	13,883	94,467	295,463
Accumulated amortization					
At January 1, 2019		38,456	13,883	15,037	67,376
Amortization	16, 17	7,484	-	19,546	27,030
At December 31, 2019		45,940	13,883	34,583	94,406
Net book values at December 31, 2019		141,173	-	59,884	201,057
Cost					
At January 1, 2018		187,113	13,883	37,671	238,667
Additions		-	-	45,095	45,095
At December 31, 2018		187,113	13,883	82,766	283,762
Accumulated amortization					
At January 1, 2018		30,972	13,883	2,019	46,874
Amortization	16, 17	7,484	-	13,018	20,502
At December 31, 2018		38,456	13,883	15,037	67,376
Net book values at December 31, 2018		148,657	-	67,729	216,386

Note 9 - Deferred income tax/Provision for income tax

The components of the Group's recognized deferred income tax assets and liabilities as at December 31 are as follows:

	2019	2018
Deferred income tax assets to be recovered within 12 months		
Provision for volume rebates, trade discounts and other incentives	92,689	101,764
Accrued employee-related costs	69,661	56,875
Provision for impairment of receivables	30,316	36,368
Provision for inventory obsolescence	16,690	21,437
Provision for commission	9,016	9,437
Provision for warranty costs	6,617	9,275
Accrued royalties and other liabilities	6,457	13,444
Accrual for advertising and promotion expenses	6,256	6,476
Provision for contingencies	3,225	3,488
Provision for customer claims	1,030	1,642
Unamortized past service cost	222	1,045
Unrealized foreign exchange losses	-	4,259
	242,179	265,510
Deferred income tax assets to be recovered after 12 months		
Retirement benefit obligation	67,182	50,695
Remeasurement loss on retirement benefits charged directly to equity	55,724	31,322
Net operating loss carry over (NOLCO)	38,941	11,640
Excess of lease liabilities over right-of-use assets	5,180	-
Provision for warranty costs	4,009	5,524
Unamortized past service cost	1,015	1,237
	172,051	100,418
Total deferred income tax assets	414,230	365,928
Deferred income tax liability to be settled within 12 months		
Unrealized foreign exchange gains	(4,677)	(1,284)
Deferred income tax liabilities to be settled after 12 months		
Intangible assets	(41,152)	(42,115)
Remeasurement gain on retirement benefits charged directly to equity	-	(1,228)
Retirement benefit asset	(1,914)	-
	(43,066)	(43,343)
Total deferred income tax liabilities	(47,743)	(44,627)
Net deferred income tax assets	366,487	321,301

Details of unrecognized deferred income tax assets as at December 31 are as follows:

	2019	2018
NOLCO	115,312	104,034
Accrued expenses	26,959	21,483
Retirement benefit obligation	6,012	5,552
Allowance for impairment of receivables	2,609	-
Minimum corporate income tax (MCIT)	636	13
Excess of right-of-use asset over lease liability	(66)	-
	151,462	131,082

Details of NOLCO as at December 31 which can be applied as deduction from taxable income over the next three years immediately following the year of such loss are as follows:

Year of Incurrence	Year of Expiration	2019	2018
2015	2018	-	86,657
2016	2019	99,398	99,398
2017	2020	122,586	122,586
2018	2021	163,597	163,597
2019	2022	227,995	-
		613,576	472,238
Amount expired		(99,398)	(86,657)
		514,178	385,581
Tax rate		30%	30%
		154,253	115,674

Realization of future tax benefits related to the deferred income tax assets is dependent on many factors including the ability of each entity to generate taxable income in the future. Correspondingly, the Group's management believes that related future tax benefits will be realized except for all deferred tax assets attributed to the Parent Company, and portions of net operating losses of certain subsidiaries with a total amount of P504,873 as at December 31, 2019 (2018 - P442,217).

As at December 31, the details of MCIT of the Parent Company, which could be carried over as a deduction from regular income tax for the next three consecutive years following the year it is incurred, are as follows:

Year incurred	Year of expiration	2019	2018
2015	2018	12	-
2017	2020	1	12
2018	2021	623	1
		636	13

Movements of net deferred income tax assets as at December 31 are as follows:

	Note	2019	2018
Beginning		321,301	257,022
Credited (Charged) to other comprehensive income	20	25,628	(1,238)
Credited to profit or loss		17,773	65,517
Adjustment from adoption of PFRS 16		3,708	-
Purchase price allocation		(1,923)	-
Ending		366,487	321,301

Details of provision for income tax for the years ended December 31 follow:

	2019	2018	2017
Current	666,848	750,685	697,566
Deferred	(17,773)	(65,517)	25,302
	649,075	685,168	722,868

The reconciliation of the provision for income tax computed at the statutory tax rate to actual provision for income tax shown in the consolidated statements of total comprehensive income for the years ended December 31 follow:

	2019	2018	2017
Statutory income tax at 30%	623,581	642,639	675,210
Add (Deduct) reconciling items:			
Movement of unrecognized deferred income tax assets	40,888	37,097	37,346
Share in net (income) loss of associates	(9,191)	5,008	13,663
Interest income subject to final tax	(5,999)	(4,702)	(3,964)
Purchase price allocation	(1,923)	-	-
Non-deductible expenses	(1,723)	5,123	603
Unrecognized MCIT	623	3	10
Unrecognized NOLCO	2,819	-	-
Actual provision for income tax	649,075	685,168	722,868

Note 10 - Trade payables and other liabilities

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

	Note	2019	2018
Trade payables			
Third parties		1,013,178	979,565
Related parties	14	318,043	376,353
		1,331,221	1,355,918
Accrued expenses			
Project costs		541,791	405,256
Benefits of directors, officers and employees		339,606	276,543
Outside services		151,692	128,489
Freight		69,629	51,393
Installation and cleaning costs		42,669	28,463
Commission		41,737	46,738
Importation costs		37,392	29,575
Advertising and promotion		32,231	42,038
Rental and utilities		29,961	36,777
Professional fees		14,894	24,348
Repairs and maintenance		1,907	4,974
Transportation and travel		1,457	3,703
Others		78,981	68,574
		1,383,947	1,146,871
Other liabilities			
Advances on sales contract		286,742	228,532
Billings in excess of costs incurred and estimated earnings on uncompleted contracts		173,282	287,641
Withholding taxes and other mandatory government Remittances		141,354	162,295
Output value-added tax (VAT), net of input VAT		45,208	7,525
Related parties	14	20,102	23,571
Others		215,832	120,123
		882,520	829,687
		3,597,688	3,332,476

Project costs represent costs of HVAC related projects incurred but not yet billed as at reporting date.

Billings in excess of costs incurred and estimated earnings on uncompleted contracts represent the excess of contract billings amounting to P690,876 (2018 - P934,644) over the cumulative costs incurred and margin amounting to P517,594 and P173,282, respectively (2018 - P647,003 and P287,641, respectively) as at December 31, 2019.

Note 11 - Provision for warranty

Movements of the provision for warranty as at December 31 follow:

11.1 Current

	2019	2018
Beginning	30,915	64,034
Provisions	79,953	86,694
Payments	(88,814)	(119,813)
Ending	22,054	30,915

11.2 Non-current

	2019	2018
Beginning	18,414	33,135
Provisions	26,733	3,534
Payments	(31,782)	(18,255)
Ending	13,365	18,414

In 2019, provisions for warranty costs were recognized as part of operating expenses amounting to P106,686 (2018 - P894 in cost of services under materials and labor and P89,334 in operating expenses) (Note 16 and 17).

Note 12 - Other provisions

Details of other provisions as at December 31 consist of:

	2019	2018
Contingencies	12,307	16,100
Commission	30,051	31,457
	42,358	47,557

Movements in provision for contingencies as at December 31 follow:

	2019	2018
Beginning	16,100	37,598
Provisions	4,844	25,505
Payments	(8,637)	(47,003)
Ending	12,307	16,100

Movements in provision for commission as at December 31 follow:

	2019	2018
Beginning	31,457	36,606
Provisions	44,873	43,070
Payments	(46,279)	(48,219)
Ending	30,051	31,457

Provision for commission was recorded under personnel cost in operating expenses (Note 17).

Provision for commission is expected to be settled within twelve (12) months after the reporting date and payment is dependent on whether sales targets are met or exceeded.

Note 13 - Short-term borrowings

Movements of short-term borrowings for the years ended December 31 are as follows:

	2019	2018
Beginning	425,000	-
Availments	115,000	425,000
Settlements	(495,000)	-
Ending	45,000	425,000

The Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months at interest rates ranging from 3.875% to 6.350%.

Interest expenses on borrowings recognized during the year amounted to P7,010 (2018 - P6,638; 2017 - P708).

There were no non-cash movements on borrowings for the years ended 2019 and 2018.

Note 14 - Related party transactions

In the normal course of business, the Group transacts with related parties. The following are the balances and significant transactions with these entities as at and for the years ended December 31:

	2019		2018		2017		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Shareholders							
Rent and utilities	52,292	(3)	56,265	(1,110)	48,830	-	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Lease of warehouse	53,364	-	45,082	-	43,116	-	
Dividends declaration	486,606	-	487,056	-	338,233	-	Refer to Note 21.2.
Advances from shareholders	-	(1,157)	-	(1,748)	-	(2,510)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Associate							
Administrative services	19,115	1,593	17,878	4,470	9,031	1,631	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Transfer of employees	706	(8,578)	1,962	(7,740)	1,553	(6,783)	Benefits due to the employee transferred up to date of transfer will be paid by the former employer. Outstanding payables is due within one year from transaction date. The balance is payable in cash, non-interest bearing and unsecured.
Transfer of employees	1	1,781	2,071	2,071	-	-	
Purchase of goods, net of returns	223	(20)	787	(20)	13,846	(3,410)	Outstanding payables are due within 30 to 90 days from transaction date. These are payable in cash, non-interest bearing and unsecured in nature. These receivables are unsecured and non-interest bearing.
Sale of goods	232	2,558	17,592	20,674	3,083	3,083	The outstanding receivables (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale.
Product loan	-	-	-	(40)	-	(42)	Payable within the next 12 months after invoice date. Unsecured and non-interest bearing advances.
Advances to associates	83,039	44,647	12,294	10,068	2,062	220	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Advances from associates	2,653	(210)	265	(1,061)	880	(569)	

	2019		2018		2017		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Entities under common control							
Rent and utilities	34,372	1	32,494	(2,707)	36,280	-	Receivables are collectible in cash within 30 to 60 days from billing date. These receivables are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Entities with common shareholders							
Sale of goods	24	-	-	-	7,880	4,389	The outstanding receivables (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale
Commission income	32,895	27,419	25,728	10,567	8,058	4,900	Receivables are collectible in cash within 30 to 60 days from billing date. These receivables are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized. Advances are primarily cost reimbursements paid on behalf of related parties.
Reimbursements	-	-	795	4	-	-	
Dividends declaration	895,560	-	431,700	-	314,450	-	Refer to Note 21.2.
Purchases, net purchase returns	2,511,901	(318,022)	1,531,012	(376,333)	2,047,663	(442,146)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured (Note 19).
Collections (Payments) in behalf of a related party	54,260	(2,105)	54,260	(4,330)	74	(4,385)	Payable in cash within 60 days unsecured and bears no interest. Refer to Notes 16 and 17.
Royalty/Technical fees	56,160	(8,049)	51,448	(4,835)	58,499	(10,544)	
Key management personnel							
Short-term							
Directors fees	3,943	3,943	18,558	(18,558)	19,515	(19,515)	Payable to employees in cash within 30 days from date of each transaction. Non-interest bearing and not covered by any guarantee.
Salaries and wages	459,369	(105,307)	532,563	(100,499)	397,684	(160,040)	
Long-term							
Retirement benefits	13,462	(61,662)	9,863	(101,998)	10,253	(92,068)	Refer to Note 20.
Retirement plan							
Contributions to the retirement fund	329	-	-	-	4,335	-	Refer to Note 20.
Claims from the retirement fund	29,508	-	21,774	-	3,996	-	Receivables are collectible on demand, unsecured and non-interest bearing.

Shared administrative costs charged to entities under common shareholders are for the accounting services rendered. This is covered by a shared service agreement renewable every year.

There were no provisions recognized in relation to receivables from related parties. Balances due are normally settled/collected at gross. In 2018, there were overpayments by CTC to CBSI amounting to P1,154 which were offset against the latter's subsequent billings. There were no similar transactions in 2019.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2019	2018	2017
As at December 31			
Investment in subsidiaries	4,633,806	3,661,687	3,496,687
Trade and other receivables	118,710	306,998	72,522
Trade payables and other liabilities	118,710	306,998	72,522
Short-term borrowings	-	200,000	-
Deposits for future shares subscription	-	238,000	-
For the years ended December 31			
Sale of services	436,313	403,638	335,803
Sales of goods	-	20,160	-
Cost of services	284,187	264,780	219,322
Cost of goods	1,492	16,502	-
Operating expenses	180,839	131,374	108,996
Other operating income		-	-
Dividend income	1,564,159	1,081,504	747,771
Interest income	2,963	3,575	3,847
Interest expense	2,963	3,575	3,847

Note 15 - Revenue from contracts with customers

Details of net sales and services for the years ended December 31 are as follows:

	Note	2019	2018	2017
Gross sales				
Sale of goods (Point in time)	14	15,055,428	13,601,057	13,370,191
Sale of services (Over time)	14	1,432,981	1,641,908	1,355,660
		16,488,409	15,242,965	14,725,851
Deductions				
Trade and volume discounts and other incentives		1,020,270	717,205	527,647
Sales returns		401,993	324,007	339,245
		1,422,263	1,041,212	866,892
Net sales and services		15,066,146	14,201,753	13,858,959

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time from their major business segments as presented in Note 24.

(b) Assets and liabilities related to contracts with customers

The Group has recognized the following assets and liabilities related to contracts with customers as at December 31:

	2019	2018
Current contract assets relating to percentage of completion (POC) contracts	3,475,299	2,826,276
Loss allowance	(397)	(485)
	3,474,902	2,825,791
Less: Contract billings	(2,485,667)	(2,175,863)
Total contract assets	989,235	649,928

Further, as at December 31, 2019 and 2018, contract liability representing warranty obligations amounting to P35,419 and P49,329 are disclosed in Note 11.

(c) Significant changes in contract assets and liabilities

Value of contract assets in the current period increased as a result of servicing a higher number of installation projects as compared to the prior year. Moreover, a change in the estimate for determining the utilization of warranty obligation resulted to a corresponding decrease in liability.

Note 16 - Cost of sales and services

Details of cost of sales and services for the years ended December 31 are as follows:

	Note	2019	2018	2017
Raw materials used		5,874,796	5,700,517	5,386,055
Labor		215,607	201,142	187,161
Overhead		640,135	654,997	688,863
Total manufacturing cost		6,730,538	6,556,656	6,262,079
Work-in-process, beginning	4	50,484	52,714	148,266
Work-in-process, ending	4	(3,620)	(50,484)	(52,714)
Cost of goods manufactured		6,777,402	6,558,886	6,357,631
Finished goods inventory, beginning	4	1,168,691	1,017,024	675,046
Gross purchases – trading		2,294,162	2,094,897	2,464,398
Finished goods available for sale		10,240,255	9,670,807	9,497,075
Finished goods inventory, ending	4	(1,210,302)	(1,168,691)	(1,017,024)
Total cost of sales		9,029,953	8,502,116	8,480,051
Cost of Installation and maintenance of elevators		650,425	605,717	569,179
Others		-	11,588	12,623
Total cost of services		650,425	617,305	581,802
Total cost of sales and services		9,680,378	9,119,421	9,061,853

Details of overhead for the years ended December 31 are as follows:

	Notes	2019	2018	2017
Indirect labor		253,981	273,719	295,609
Depreciation and amortization	5	69,422	63,039	44,060
Outside services		69,636	66,455	67,651
Rent and utilities	14, 19	57,835	99,384	143,631
Repairs and maintenance		52,887	59,257	49,402
Taxes and licenses		44,900	41,522	37,233
Amortization of right-of-use assets	19	37,777	-	-
Travel and transportation		10,874	12,310	10,979
Indirect materials and supplies		6,081	12,889	18,658
Insurance		5,276	4,140	6,583
Amortization of intangible assets	8	1,982	1,378	-
Others		29,484	20,904	15,057
		640,135	654,997	688,863

Details of cost of services for the years ended December 31 are as follows:

	Notes	2019	2018	2017
Materials and labor	4	489,534	470,334	426,091
Personnel costs		95,521	86,003	96,326
Royalty/technical fees	14	25,949	29,505	31,404
Rent and utilities	14, 19	8,584	11,377	10,145
Amortization of right-of-use assets	19	7,706	-	-
Depreciation and amortization	5	4,596	3,175	3,206
Outside services		4,399	4,398	3,052
Taxes and licenses		3,414	3,447	3,021
Transportation and travel		3,458	3,029	2,683
Supplies		1,844	1,197	943
Insurance		438	1,067	1,064
Repairs and maintenance		321	347	286
Others		4,661	3,426	3,581
		650,425	617,305	581,802

Note 17 - Operating expenses

Details of operating expenses for the years ended December 31 are as follows:

	Notes	2019	2018	2017
Personnel costs	12, 20	1,380,462	1,200,704	837,833
Outside services and professional fees		737,223	628,250	730,394
Outbound freight		362,382	318,940	307,967
Amortization of right-of-use assets	19	184,440	-	-
Advertising and promotion		149,119	179,666	151,264
Warranty cost	11	106,686	89,334	53,972
Rent and utilities	14, 19	84,468	219,900	184,691
Taxes and licenses		59,432	36,679	31,609
Transportation and travel		55,353	50,058	46,716
Depreciation and amortization	5	49,610	42,150	26,614
Royalty/technical fees	14, 19	38,397	38,901	43,840
Amortization of intangible assets	8	25,048	19,124	9,504
Repairs and maintenance		13,526	9,713	8,460
Provision for contingencies	12	4,844	25,505	16,862
Provision for impairment of receivables	3	3,589	5,835	6,029
Reversal of inventory obsolescence	4	(15,880)	(19,894)	(9,538)
Others		134,946	96,638	79,671
		3,373,645	2,941,503	2,525,888

Note 18 - Other operating income, net

Details of net other operating income for the years ended December 31 are as follows:

	Notes	2019	2018	2017
Foreign exchange gains (losses), net	25	45,006	(36,208)	(577)
Commission income	14	27,419	39,520	19,484
Interest income	2	17,037	12,097	9,367
Gain on disposal of property and equipment		681	3,731	4
Loss on foreign exchange forward contracts	27	(19,324)	(9,929)	(18,807)
Capital gains tax, net	7	(20,640)	-	-
Miscellaneous		21,243	15,421	16,262
		71,422	24,632	25,733

Miscellaneous income pertains mainly to interest income from employee loans, expired warranties and sale of old model units.

Note 19 - Leases and other agreements

19.1 Leases

- 19.1.1 CCAC has a three-year lease agreement with Concepcion Industries, Inc., an entity under common control to CCAC, expiring on December 31, 2018 for the lease of its factory located in the Light Industry Science Park, Cabuyao, Laguna to the Partnership. Subject to further renewal or extension on the same terms and conditions as may be agreed upon by the parties. The lease was renewed for another three years up to December 31, 2021.
- 19.1.2 CCAC has a three-year lease contract from January 1, 2017 to December 31, 2019 with LSL Realty Development Corporation, for the lease of warehouse space located in the Light Industry Science Park, Cabuyao Laguna, subject to negotiation upon renewal. The lease was renewed for another three years up to December 31, 2022.

- 19.1.3 CCAC leases an office space in Muntinlupa City and a warehouse space in Cabuyao owned by Foresight Realty and Development Corporation, an entity under common control to CCAC. The contracts are renewable upon mutual agreement of the parties which will expire in August 2022.
- 19.1.4. CCAC and CBSI leases an office and parking space, respectively, in Muntinlupa City from Foresight Realty & Development Corp., a shareholder, for a period of five (5) years from August 2017 to July 2022. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.
- 19.1.5 CDI leases warehouse space in Cabuyao from Hyland Realty & Dev't. Corp., an entity under common control, for a period of five (5) years commencing on November 3, 2016 and ending on November 2, 2021, subject to renewal or extension on such terms and conditions as may be agreed upon by the parties.
- 19.1.7 Both CCAC and CDI have agreements with various lessors covering office space for its regional offices. Such agreements have terms ranging from one (1) to five (5) years under terms and conditions as agreed with the lessors.
- 19.1.8 COPI has various lease agreements covering offices, warehouses and vehicles under non-cancellable operating leases expiring within 3 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Rental deposits required for these lease agreements are included in either trade and other receivables and deposits and other non-current assets account in the consolidated statements of financial position.

Total rent expense for the said leases amounted to P202,800 in 2018 (2017 - P181,989), which were charged to cost of sales and services and operating expenses.

From January 1, 2019 (PFRS 16)

The Group leases various office space, furniture and fixtures, equipment and vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From January 1, 2019, the group has recognized right-of-use assets for these leases, except for short-term and low-value leases.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(i) Amounts recognized in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	December 31, 2019	January 1, 2019
<i>Right-of-use assets</i>		
Buildings and leasehold improvements	114,452	156,779
Warehouses	154,082	51,947
Office spaces	120,218	47,162
Vehicles	160,679	178,490
Others	94,924	14,884
	644,355	449,262

	December 31, 2019	January 1, 2019
<i>Lease liabilities</i>		
Current	198,841	180,877
Non-current	438,707	279,382
	637,548	460,259

Additions to the right-of-use assets for the year ended December 31, 2019 amounted to P398,836.

Detail and movement of lease liability as at December 31, 2019 consists of:

	Amounts
Adoption of PFRS at January 1, 2019	460,259
Additions	398,836
Disposals	(409)
Interest expense	28,566
Interest payment	(28,566)
Principal lease payments	(221,138)
December 31, 2019	637,548

(ii) Amounts recognized in the statements of total comprehensive income

The statements of total comprehensive income show the following amounts relating to leases for the years ended December 31:

	2019
Depreciation expense	
Building and leasehold improvements	47,194
Warehouse	77,230
Office space	50,659
Vehicles	40,228
Others	14,612
	229,923
Interest expense (included in interest expense)	28,566
Expense relating to short-term leases	15,460
Expense relating to leases of low-value assets that are not shown above as short-term leases	6,512
Expense relating to variable lease payments not included in lease liabilities	7,117

Certain leased assets were subleased by the Group. Income arising from subleasing amounted to P32,184.

The total cash outflow for leases as at December 31, 2019 is P249,704.

Prior to January 1, 2019 (PAS 17)

The Company has various lease agreements which are renewable under certain terms and conditions. The future minimum lease payments under non-cancellable operating leases as at December 31, 2018 are as follows:

	Amount
No later than 1 year	108,234
Later than 1 year but no later than 5 years	136,028
	244,262

19.2 Trademark and other agreements

19.2.1 Kelvinator trademark

CCAC and CDI have separate trademark agreements with Kelvinator International Partnership, a division of Electrolux Home Products, Inc. (a Partnership incorporated in the U.S.A.) for the license to use the “Kelvinator” trademark as specified in the agreement for its window type room air conditioners. In consideration thereof, CCAC and CDI are required to pay a trademark fee of 2% of the net selling price of the trademarked products subject to a minimum annual fee of 1.5% of targeted net sales and actual inspection fees. The agreements remain effective unless terminated by both parties.

Royalty/technical fees for the above agreements charged to operations in 2019 amounted to P11,172 (2018 - P15,428; 2017 - P16,745) (Note 17).

19.2.2 Royalty/Technical service agreement with Carrier Corporation

CCAC has an existing technical service agreement with Carrier Corporation (Carrier), a related party of one of the owners of CCAC, which is co-terminus with the joint venture agreement between Carrier and CCAC. The agreement provides that CCAC will pay royalty fees equivalent to a specified percentage of the net sales depending on the product type, in exchange for non-exclusive and non-transferable rights to make use of technical data, process and assistance to be provided by Carrier Corporation in the manufacture of its products. The agreement remains effective unless terminated by both parties.

Royalty/technical fees for the above agreements charged to operations in 2019 amounted to P27,225 (2018 - P23,473; 2017 - P27,095) (Note 17).

19.2.3 Trademark and Trade Name License Agreement and Technical Assistance Agreements and License to Use Technical Data, Know-how and Patents Agreement with Otis U.S.A.

COPI has existing Technical Assistance Agreements and License to Use Technical Data, Know-how and Patents Agreement with Otis U.S.A., a related party, for the latter to provide technical data and know-how to improve the technical knowledge of COPI’s personnel and to further impart and transfer technical data and provide technical service to COPI. In consideration thereof, COPI is required to pay, in addition to the costs incurred by Otis U.S.A. in providing the training, a royalty fee equivalent to 3.5% of the net billings of COPI.

COPI also has a Trademark and Trade Name License Agreement with Otis U.S.A. which grants COPI a non-exclusive right and license to market and sell Otis products and to perform service under the licensed marks. As consideration of the rights and licenses granted, COPI shall pay Otis U.S.A. a royalty fee as provided in the Technical Assistance Agreement mentioned above. The agreement remains effective unless terminated by both parties.

Royalty/technical fees for the above agreements charged to operations in 2019 amounted to P25,949 (2018 - P29,505; 2017 - P31,404) (Note 16).

19.2.4 Assignment Agreement with OECPI

COPI has an outstanding payable to OECPI as at December 31, 2019 and 2018 amounting to P4,331 which is included under payable to related parties under trade payables and other liabilities (Notes 10 and 14). The payable resulted from transactions subsequent to an Assignment Agreement executed by and between OECPI, as the assignor, and COPI, as the assignee, for the conveyance, transfer assignment and delivery of all the OECPI’s assets, liabilities and contracts to COPI as set out in the agreement.

Note 20 - Retirement plan

20.1 CIC

CIC has an established retirement plan which is a non-contributory and of the defined benefit type which provides a retirement benefits ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan. This retirement plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CIC were absorbed from CCAC.

20.2 CCAC

CCAC has an established funded, trustee and non-contributory and of the defined benefit type retirement plan covering all its regular employees. The retirement plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 15 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

The Retirement Plan Trustee, as appointed by CCAC in the Trust Agreement executed between CCAC and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek and advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund. There are no unusual or significant risks to which the Plan exposes CCAC. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from CCAC to the Retirement Fund.

In accordance with the provisions of Bureau of Internal Revenue (BIR) Regulation No. 1-68, it is required that the Retirement Plan be trustee; that there must be no discrimination in benefits that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or divided to, any purpose other than for the exclusive benefit of the Plan members. CCAC is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the CCAC's discretion.

20.3 CDI; Alstra; Teko

These entities have not yet established a formal retirement plan for its employees but pays retirement benefits required under Republic Act (RA) No. 7641 (Retirement Law). RA 7641 provides that all employees between ages 60 to 65 with at least 5 years of service with the entities who may opt to retire are entitled to benefits equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. The term one-half month shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month and the cash equivalent of not more than five (5) days of service incentive leaves.

As at December 31, 2019, estimated retirement benefits and obligations for Alstra and Teko are deemed immaterial, hence, not provided for.

20.4 COPI

COPI has a funded, non-contributory defined benefit plan which provides a retirement benefit equal to one month final basic salary for every year of credited service or the sum credited to the member's account at the time of retirement. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. The retirement and disability benefits of its qualified employees and it is being administered by a trustee bank. The normal retirement age is 60 and optional retirement date is at age 45 or completion of at least 25 years of service.

20.5 CBSI

CBSI has a non-contributory retirement benefit plan which provides a retirement benefit ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. This plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CBSI were absorbed from CCAC.

20.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to one hundred twenty-five percent (125%) of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The retirement obligation of each entity in the Group is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2019.

The following are the details of the retirement benefit obligation (asset) and retirement benefit expense as at December 31 and for the years then ended:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Total
2019							
Retirement benefit obligation (asset)	20,040	269,719	59,904	71,840	(3,276)	8,217	426,444
Retirement benefit expense	2,609	48,099	9,944	17,702	1,942	1,815	82,111
2018							
Retirement benefit obligation (asset)	18,505	162,769	52,385	56,518	(3,177)	3,798	290,798
Retirement benefit expense	1,966	36,389	7,599	13,933	1,999	1,385	63,271

The amounts of retirement benefit obligation (asset) recognized in the statements of financial position as at December 31 are determined as follows:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Total
2019							
Present value of retirement benefit obligation	20,040	312,733	59,904	71,840	26,003	8,217	498,737
Fair value of plan assets	-	(43,014)	-	-	(29,509)	-	(72,523)
	20,040	269,719	59,904	71,840	(3,506)	8,217	426,214
Effect of asset ceiling	-	-	-	-	230	-	230
	20,040	269,719	59,904	71,840	(3,276)	8,217	426,444
2018							
Present value of retirement benefit obligation	18,505	216,952	52,385	56,518	24,917	3,798	373,075
Fair value of plan assets	-	(54,183)	-	-	(28,445)	-	(82,628)
	18,505	162,769	52,385	56,518	(3,528)	3,798	290,447
Effect of asset ceiling	-	-	-	-	351	-	351
	18,505	162,769	52,385	56,518	(3,177)	3,798	290,798

Changes in the present value of the defined benefit obligation for the years ended December 31 follow:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Total
2019							
Beginning	18,505	216,952	52,385	56,518	24,917	3,798	373,075
Interest cost	1,392	16,814	4,138	4,380	1,906	294	28,924
Current service cost	1,217	35,484	5,806	13,322	2,010	1,521	59,360
Transfer of employees	-	7,382	1,142	(6,245)	(5,292)	2,028	(985)
Benefits paid directly by the Group	-	(6,733)	(19,045)	(3,730)	-	-	(29,508)
Benefits paid from the fund	-	-	-	-	(4,901)	-	(4,901)
Remeasurement loss (gain)							
Changes in financial assumptions	354	28,317	15,568	10,630	1,734	(174)	56,429
Changes in demographic assumptions	(8)	(255)	(11,915)	(109)	219	(44)	(12,112)
Experience adjustments	(1,420)	14,772	11,825	(2,926)	5,410	794	28,455
Ending	20,040	312,733	59,904	71,840	26,003	8,217	498,737
2018							
Beginning	15,957	241,377	43,442	43,125	27,283	-	371,184
Interest cost	858	14,603	2,659	2,264	1,572	-	21,956
Current service cost	1,108	26,546	4,940	11,669	2,170	1,385	47,818
Transfer of employees	-	(4,211)	-	2,859	-	2,934	1,582
Benefits paid directly by the Group	-	(19,907)	(1,230)	(637)	-	-	(21,774)
Benefits paid from the fund	-	(33,132)	-	-	(3,734)	-	(36,866)
Remeasurement loss (gain)							-
Changes in financial assumptions	(546)	(26,137)	(4,131)	(12,560)	(2,845)	-	(46,219)
Changes in demographic assumptions	(16)	220	5,382	1	-	-	5,587
Experience adjustments	1,144	17,593	1,323	9,797	471	(521)	29,807
Ending	18,505	216,952	52,385	56,518	24,917	3,798	373,075

Changes in the fair value of the plan assets for the years ended December 31 follow:

	CCAC	COPI	Total
2019			
Beginning	54,183	28,445	82,628
Interest income	4,199	2,001	6,200
Contributions	-	329	329
Benefits paid from the fund	-	(4,901)	(4,901)
Remeasurement loss from experience adjustments	(15,368)	3,635	(11,733)
Ending	43,014	29,509	72,523
2018			
Beginning	87,789	32,629	120,418
Interest income	4,760	1,772	6,532
Benefits paid from the fund	(33,132)	(3,734)	(36,866)
Remeasurement loss from experience adjustments	(5,234)	(2,222)	(7,456)
Ending	54,183	28,445	82,628

The movements of retirement benefit obligation (asset) recognized in the statement of financial position as at December 31 follow:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Total
2019							
Beginning	18,505	162,769	52,385	56,518	(3,177)	3,798	290,798
Retirement benefit expense	2,609	48,099	9,944	17,702	1,942	1,815	82,111
Remeasurement loss/(gain)	(1,074)	58,202	15,478	7,595	3,580	576	84,357
Transfer of employees	-	7,382	1,142	(6,245)	(5,292)	2,028	(985)
Contributions	-	-	-	-	(329)	-	(329)
Benefits paid directly by the Group	-	(6,733)	(19,045)	(3,730)	-	-	(29,508)
Ending	20,040	269,719	59,904	71,840	(3,276)	8,217	426,444
2018							
Beginning	15,957	153,588	43,442	43,125	(4,848)	-	251,264
Retirement benefit expense	1,966	36,389	7,599	13,933	1,999	1,385	63,271
Remeasurement loss	582	(3,090)	2,574	(2,762)	(328)	(521)	(3,545)
Transfer of employees	-	(4,211)	-	2,859	-	2,934	1,582
Benefits paid directly by the Group	-	(19,907)	(1,230)	(637)	-	-	(21,774)
Ending	18,505	162,769	52,385	56,518	(3,177)	3,798	290,798

The categories of CCAC and COPI's plan assets as at December 31 are as follows:

	2019		2018	
	CCAC	COPI	CCAC	COPI
Mutual funds	-	-	37%	-
Unit investment trust fund	25%	-	47%	-
Fixed rate treasury notes	63%	99%	12%	105%
Corporate bonds	10%	-	4%	-
Cash and cash equivalents	-	1%	-	1%
Receivables	-	-	-	-6%
Others	2%	-	-	-
	100%	100%	100%	100%

COPI and its Trustee bank ensure that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. To mitigate concentration and other risks, assets are invested across multiple asset classes with active investment managers.

CCAC's pension benefit fund is administered by a local trustee bank which is governed by the rules and regulations of the Bangko Sentral ng Pilipinas and the SEC. Based on the trust fund agreement, it is authorized to invest the fund as it deems proper. Its investment strategy focuses principally on stringent management of downside risks rather than on maximizing absolute returns. It is anticipated that this investment policy can generate a return that enables it to meet its long-term commitments.

CCAC and COPI have not yet determined its contribution to the plan assets for the year ending December 31, 2020.

The amounts of retirement benefit expense (income) recognized under operating expenses in the consolidated statements of total comprehensive income for the years ended December 31 follow:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Total
2019							
Current service cost	1,217	35,484	5,806	13,322	2,010	1,521	59,360
Interest cost	1,392	16,814	4,138	4,380	1,906	294	28,924
Interest income on plan assets	-	(4,199)	-	-	(2,001)	-	(6,200)
Interest on the effect of the asset ceiling	-	-	-	-	27	-	27
	2,609	48,099	9,944	17,702	1,942	1,815	82,111
2018							
Current service cost	1,108	26,546	4,940	13,933	2,170	1,385	50,082
Interest cost	858	14,603	2,659	-	1,572	-	19,692
Interest income on plan assets	-	(4,760)	-	-	(1,772)	-	(6,532)
Interest on the effect of the asset ceiling	-	-	-	-	29	-	29
	1,966	36,389	7,599	13,933	1,999	1,385	63,271

Retirement benefit expense is included as part of personnel costs under operating expenses (Note 17). The movement of other comprehensive loss (Parent Company and NCI) recognized in the consolidated statements of financial position as at December 31 follows:

	Note	CIC	CCAC	CDI	CBSI	COPI	CTC	Total
2019								
Beginning		493	63,410	4,610	5,065	(2,501)	(365)	70,712
Remeasurement (gain) loss		(1,074)	58,202	15,478	7,595	3,728	576	84,505
Impact of asset ceiling		-	-	-	-	(148)	-	(148)
Tax effect	9	-	(17,460)	(4,643)	(2,279)	(1,074)	(172)	(25,628)
Ending		(581)	104,152	15,445	10,381	5	39	129,441
2018								
Beginning		(89)	65,573	2,808	6,998	(2,271)	-	73,019
Remeasurement loss		582	(3,090)	2,574	(2,762)	(152)	(521)	(3,369)
Impact of asset ceiling		-	-	-	-	(176)	-	(176)
Tax effect	9	-	927	(772)	829	98	156	1,238
Ending		493	63,410	4,610	5,065	(2,501)	(365)	70,712

The principal annual actuarial assumptions used as at and for the years ended December 31 follow:

	CIC	CCAC	CDI	CBSI	COPI	CTC
2019						
Discount rate	5.13%	5.46%	4.56%	5.46%	5.46%	5.46%
Salary increase rate	4.90%	5.40%	6.00%	5.90%	4.00%	3.50%
Average expected future service years of plan members	15.1	22.9	21.4	24.8	22.7	25.6
2018						
Discount rate	7.52%	7.75%	7.90%	7.75%	7.65%	7.75%
Salary increase rate	6.00%	6.00%	6.00%	6.00%	5.00%	6.00%
Average expected future service years of plan members	16.1	23.3	21.6	25.3	22.1	26.9

Discount rates were based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEX (PDST-R2) market yields on benchmark government bonds) by stripping the coupons from government bonds to create virtual zero coupon bonds, and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation. The 2001 CSO Table - Generational (Scale AA, Society of Actuaries) was used in assessing annual mortality rates.

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Total
2019							
Less than a year	18,098	52,456	12,235	6,844	3,937	777	94,347
More than 1 year to 5 years	1,078	204,043	15,833	41,282	11,029	5,566	278,831
More than 5 years to 10 years	1,711	241,651	28,856	90,744	23,444	11,410	397,816
2018							
Less than a year	18,098	41,372	10,301	5,812	4,692	-	80,275
More than 1 year to 5 years	1,078	180,970	14,183	36,666	14,576	3,556	251,029
More than 5 years to 10 years	1,711	234,080	31,469	96,836	19,333	8,554	391,983

The weighted average duration of the defined benefit obligation as at December 31, 2019 is 1.5 to 10.2 years (2018 - 1.2 to 9.7 years).

Note 21 - Equity

21.1 Share capital

As at December 31, 2019 and 2018, the Parent Company's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per.

The details and movement of share capital as at and for the years ended December 31 follow:

	No. of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2018	405,879,791	407,264	993,243	(59,824)
Acquisition of treasury shares	(374,600)	-	-	(13,935)
December 31, 2018	405,505,191	407,264	993,243	(73,759)
Acquisition of treasury shares	(2,287,100)	-	-	(72,769)
December 31, 2019	403,218,091	407,264	993,243	(146,528)

21.2 Retained earnings

Cash dividends declared for the years ended December 31 are as follows:

Date declared	Dates paid	Per share	2019	2018	2017
April 3, 2019	May 10, 2019	1.20	486,606	-	-
April 6, 2018	May 18, 2018	1.20	-	487,056	-
April 4, 2017	May 16, 2017	1.00	-	-	338,233
			486,606	487,056	338,233

On June 7, 2017, the Parent Company declared stock dividends amounting to P67,647 divided into 67,646,665 common shares with a par value of P1 per share from unrestricted retained earnings as at December 31, 2016. Any fractional shares resulting from the stock dividend was rounded up to one share, and the record and share issuance dates are July 10, 2017 and August 3, 2017, respectively.

For the year ended December 31, 2019, NCI from profit distribution of CCAC and COPI amounted to P876,060 and P19,500, respectively (2018 - P412,500 and P19,500, respectively; 2017 - P289,700 and P24,750, respectively) (Note 7.2).

As at April 14, 2020, the Parent Company's BOD has yet to finalize and approve the details of the cash dividends to be declared for 2020.

21.3 Treasury shares

On February 17, 2016, the Parent Company's BOD approved a non-solicitation share buyback program to be carried out until February 16, 2019. On September 9, 2019, the Parent Company's BOD approved a non-solicitation share buyback program to be carried out until September 9, 2022.

On March 20, 2020, the BOD amended the terms of the share buyback program to increase the limit of the common shares that may be repurchased during the first year of the program from P100 million to P300 million.

Buyback of shares paid for since 2016 are as follows:

Trade Date	Date Paid	Shares	Per share	Absolute amount in Peso
March 16, 2016	March 21, 2016	500,000	42.00	21,000
March 16, 2016	March 21, 2016	384,100	42.50	16,324
April 05, 2016	April 08, 2016	500,000	45.00	22,500
October 09, 2018	October 12, 2018	250,000	37.20	9,300
October 11, 2018	October 16, 2018	124,600	37.20	4,635
September 10, 2019	September 13, 2019	500,000	32.30	16,150
September 11, 2019	September 16, 2019	500,000	32.50	16,250
September 17, 2019	September 20, 2019	30,000	32.00	960
September 19, 2019	September 24, 2019	152,000	31.99	4,864
September 25, 2019	September 30, 2019	100,000	31.51	3,151
September 26, 2019	October 1, 2019	5,700	30.80	176
September 26, 2019	October 1, 2019	12,500	31.20	390
September 26, 2019	October 1, 2019	5,000	31.30	157
September 26, 2019	October 1, 2019	5,000	31.40	157
September 26, 2019	October 1, 2019	71,800	31.50	2,262
September 27, 2019	October 1, 2019	3,000	30.50	92
September 27, 2019	October 1, 2019	30,800	31.50	970
October 8, 2019	October 10, 2019	300	31.10	9
October 8, 2019	October 10, 2019	500	31.30	16
October 8, 2019	October 10, 2019	2,100	31.35	66
October 8, 2019	October 10, 2019	600	31.40	19
October 8, 2019	October 10, 2019	600	31.50	19
October 8, 2019	October 10, 2019	300	31.80	10
October 8, 2019	October 10, 2019	700	31.90	22
October 8, 2019	October 10, 2019	7,000	31.95	224
October 8, 2019	October 10, 2019	25,900	32.00	829
October 9, 2019	October 14, 2019	400	31.55	13
October 9, 2019	October 14, 2019	200	31.70	6
October 9, 2019	October 14, 2019	1,400	31.80	45
October 9, 2019	October 14, 2019	9,100	31.90	290
October 9, 2019	October 14, 2019	245,500	32.00	7,856
October 10, 2019	October 14, 2019	5,600	31.00	174
October 10, 2019	October 14, 2019	600	31.80	19
October 10, 2019	October 14, 2019	2,000	31.85	64
October 10, 2019	October 14, 2019	9,200	31.90	293
October 10, 2019	October 14, 2019	9,200	31.95	294
October 10, 2019	October 14, 2019	80,400	32.00	2,573
October 25, 2019	October 29, 2019	700	31.00	22
October 25, 2019	October 29, 2019	2,000	31.45	63
October 25, 2019	October 29, 2019	300	31.50	9
October 25, 2019	October 29, 2019	500	31.60	16
October 25, 2019	October 29, 2019	1,700	31.70	54
October 25, 2019	October 29, 2019	900	31.75	29
October 25, 2019	October 29, 2019	300	31.80	10
October 25, 2019	October 29, 2019	3,000	31.90	96
October 25, 2019	October 29, 2019	2,000	31.95	64
October 25, 2019	October 29, 2019	25,100	32.00	803
October 28, 2019	November 1, 2019	600	30.80	18
October 28, 2019	November 1, 2019	1,300	31.00	40

Trade Date	Date Paid	Shares	Per share	Absolute amount in Peso
October 28, 2019	November 1, 2019	9,600	32.00	307
November 5, 2019	November 11, 2019	25,200	30.30	764
November 5, 2019	November 11, 2019	44,800	31.00	1,389
November 6, 2019	November 11, 2019	9,600	30.60	294
November 6, 2019	November 11, 2019	10,000	30.80	308
November 6, 2019	November 11, 2019	45,400	31.00	1,407
November 7, 2019	November 11, 2019	15,000	30.00	450
November 7, 2019	November 11, 2019	5,900	30.80	182
November 7, 2019	November 11, 2019	12,000	30.90	371
November 7, 2019	November 11, 2019	1,000	30.95	31
November 7, 2019	November 11, 2019	41,100	31.00	1,273
November 8, 2019	November 13, 2019	84,700	31.00	2,625
November 14, 2019	November 13, 2019	5,000	31.00	155
November 19, 2019	November 21, 2019	10,000	29.00	290
November 19, 2019	November 21, 2019	11,000	29.50	325
November 19, 2019	November 21, 2019	800	29.60	24
November 19, 2019	November 21, 2019	53,200	30.00	1,595
December 12, 2019	December 19, 2019	38,000	28.10	1,067
December 27, 2019	December 30, 2019	9,000	29.90	268
		4,045,800		146,528

Note 22 - Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to owners of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares, if any.

Earnings per share for the years ended December 31 is calculated as follows:

	2019	2018	2017
Net income attributable to owners of the Parent Company	946,764	913,237	987,219
Weighted average common shares - basic and diluted (in '000)	405,243	405,795	405,880
Basic and diluted earnings per share	2.34	2.25	2.43

The basic and diluted earnings per share are the same each for the year presented as there are no potential dilutive common shares.

Note 23 - Contingencies

The Group is a party to various on-going litigation proceedings, to which respective courts and regulatory bodies have not rendered any final decision as at audit report date. The Group's management, with the assistance of third party counsels, has determined certain loss positions that warranted corresponding provisions to be recorded in the consolidated statements of financial position (Note 12). These were recognized based on existing conditions and available information as at reporting date. Accordingly, annual evaluation is conducted by management to identify possible changes in circumstances that would equally require adjustment in its estimates. The detailed information pertaining to these litigations have not been disclosed as this might prejudice the outcome of the ongoing litigations.

Note 24 - Segment information

The Group's Executive Committee and the BOD review and analyze profit or loss into Consumer Lifestyle Solutions (CLS) business and Building and Industrial Solutions (BIS) business, while assets, liabilities and other accounts are analyzed on a per entity basis - CCAC, CDI and COPI with all other entities as part of others.

24.1 Profit or loss

24.1.1 CLS

The segment's products and related services include air conditioning (HVAC), heating, and ventilation for consumer use as well as domestic refrigeration products. It is supported by a vast network of distributors, dealers, retailers and technicians, who sell, install and service the Group's products primarily in the residential and light commercial segments.

24.1.2 Alstra

The segment's products and related services include air conditioning (HVAC), heating, and ventilation as well as service of elevators, escalators, moving walkways and shuttle systems, primarily for industrial and commercial use. It is sold directly to end customers or through a network of accredited sub-contractors.

24.2 Assets, liabilities and other accounts

24.2.1 CCAC

The segment's products and related services include air conditioning (HVAC), heating, ventilation and refrigeration products. It is supported by a vast network of distributors, dealers, retailers and technicians who sell, install and service the Group's products in the industrial, commercial and residential property sectors. The chief operating decision-maker performs review of gross profit per component, while review of segment operating expenses, income tax, and profit or loss are done in total.

24.2.2 CDI

The segment is engaged in manufacturing of refrigerators and freezers for domestic market.

24.2.3 COPI

The segment is engaged in distribution and service of elevators, escalators, moving walkways and shuttle system.

Segment information on reported consolidated profit or loss for the years ended December 31 are as follows:

	Consumer Lifestyle Solutions	Alstra	Others	Total
2019				
Net sales and services	11,159,700	3,886,409	20,037	15,066,146
Timing of revenue recognition				
At point in time	11,159,700	-	20,037	11,179,737
Over time	-	3,886,409	-	3,886,409
Cost of sales and services	(7,181,321)	(2,483,553)	(15,504)	(9,680,378)
Gross profit	3,978,379	1,402,856	4,533	5,385,768
Depreciation and amortization*	(76,709)	(19,449)	(27,470)	(123,628)
Amortization of right-of-use assets	(155,460)	(61,846)	(12,617)	(229,923)
Operating expenses	(2,372,608)	(800,188)	(200,849)	(3,373,645)
Interest expense	(18,688)	(14,716)	(2,172)	(35,576)
Interest income	3,537	7,700	5,800	17,037
Share in net loss of an associate	7,371	-	23,267	30,638
Benefit from (Provision for) income tax	(453,006)	(216,685)	20,616	(649,075)
Profit or loss	1,273,381	636,942	(480,791)	1,429,532
2018				
Net sales and services	10,233,633	3,951,803	16,317	14,201,753
Timing of revenue recognition				
At point in time	10,233,633	-	16,317	10,249,950
Over time	-	3,951,803	-	3,951,803
Cost of sales and services	(6,569,824)	(2,541,383)	(8,214)	(9,119,421)
Gross profit	3,663,809	1,410,420	8,103	5,082,332
Depreciation and amortization*	(65,651)	(17,703)	(25,010)	(108,364)
Operating expenses	(2,131,575)	(635,956)	(173,972)	(2,941,503)
Interest expense	(5,303)	(4,910)	3,575	(6,638)
Interest income	2,074	6,927	3,096	12,097
Share in net loss of an associate	(3,852)	-	(12,841)	(16,693)
Benefit from (Provision for) income tax	(475,631)	(220,818)	11,281	(685,168)
Profit or loss	1,041,964	583,336	(167,427)	1,456,873
2017				
Net sales and services	10,074,535	3,771,138	13,286	13,858,959
Cost of sales and services	(6,492,045)	(2,557,186)	(12,622)	(9,061,853)
Gross profit	3,582,490	1,213,952	664	4,797,106
Depreciation and amortization	(44,442)	(12,777)	(16,661)	(73,880)
Operating expenses	(1,770,353)	(611,848)	(143,687)	(2,525,888)
Interest expense	(2,322)	(2,232)	3,846	(708)
Interest income	4,037	3,963	1,367	9,367
Share in net loss of an associate	(15,766)	-	(29,777)	(45,543)
Benefit from (Provision for) income tax	(540,205)	(183,256)	593	(722,868)
Profit or loss	1,267,926	440,455	(180,549)	1,527,832

*Depreciation and amortization referring to cost of sales and services, and operating expenses

There were no material export sales or transactions made with related parties that require separate disclosure from the above.

Material non-cash items other than depreciation and amortization are as follows:

	CCAC	CDI	COPI	Others	Total
2019	755,199	(826)	11,277	461,802	1,227,452
2018	625,882	150,119	18,442	221,192	1,015,635
2017	239,706	12,860	33,360	(7,408)	278,518

Segment information on consolidated assets and liabilities as at December 31 are as follows:

	CCAC	CDI	COPI	Others	Total
2019					
Current assets	5,702,961	2,356,388	749,041	405,469	9,213,859
Non-current assets	1,019,588	405,109	96,934	1,402,296	2,923,927
Current liabilities	2,468,188	836,915	390,976	292,629	3,988,708
Non-current liabilities	615,332	96,237	42,095	128,128	881,792
Other information					
Investment in an associate	65,937	-	-	53,176	119,113
Additions to non-current assets					
Property and equipment	84,919	56,631	5,730	104,084	251,364
Investment property	-	-	-	1,188	1,188
Intangible assets	-	-	-	11,701	11,701
2018					
Current assets	5,529,441	2,070,293	716,141	588,183	8,904,058
Non-current assets	462,769	327,613	63,850	1,209,756	2,063,988
Current liabilities	2,402,814	763,253	541,710	205,766	3,913,543
Non-current liabilities	181,183	52,385	-	78,821	312,389
Other information					
Investment in an associate	46,794	-	-	34,315	81,109
Additions to non-current assets					
Property and equipment	107,322	63,992	17,604	70,211	259,129
Investment property	-	-	-	1,547	1,547
Intangible assets	25,560	-	-	19,535	45,095

The balances presented in others are composed of the other entities in the Group including the Parent Company's standalone balances.

Note 25 - Foreign currency-denominated monetary assets and liabilities

The Group's foreign currency-denominated monetary assets and liabilities as at December 31 are as follows:

Currency	Current assets	Current liabilities	Net foreign currency liabilities	Exchange rate	Peso equivalent
2019					
Yen	-	(29,549)	(29,549)	0.47	(13,888)
U.S. Dollar	1,514	(11,659)	(10,145)	51.10	(518,409)
Hong Kong Dollar	-	(39)	(39)	6.52	(254)
Chinese Yuan	-	(7,755)	(7,755)	7.25	(56,224)
Euro	2	(183)	(181)	56.40	(10,208)
	1,516	(49,185)	(47,669)		(598,983)
2018					
Yen	-	(18,187)	(18,187)	0.48	(8,730)
U.S. Dollar	1,059	(9,173)	(8,114)	52.72	(427,770)
Hong Kong Dollar	-	(17)	(17)	6.73	(114)
Chinese Yuan	-	(3,355)	(3,355)	7.68	(25,766)
Euro	524	(3)	521	60.31	31,422
	1,583	(30,735)	(29,152)		(430,958)
2017					
Yen	15	(328)	(313)	0.44	(138)
U.S. Dollar	3,234	(8,647)	(5,413)	50.19	(271,678)
Hong Kong Dollar	-	(139)	(139)	6.42	(892)
SGD	-	(17)	(17)	37.37	(635)
Chinese Yuan	-	(245)	(245)	7.62	(1,867)
Euro	-	(24)	(24)	59.63	(1,431)
	3,249	(9,400)	(6,151)		(276,641)

Net foreign exchange gains (loss) credited (charged) to profit or loss for the years ended December 31 are as follows:

	Note	2019	2018	2017
Realized foreign exchange losses, net		27,911	(27,944)	(21,381)
Unrealized foreign exchange gains (losses), net		17,095	(8,264)	20,804
	18	45,006	(36,208)	(577)

Note 26 - Changes in accounting policies

This note explains the impact of the adoption of PFRS 16, 'Leases' on the Group's financial statements.

26.1 Impact on the financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements has not been restated. As explained in Note 26.2 below, PFRS 16 was adopted without restating comparative information. The reclassifications arising from the adoption are therefore not reflected in the balance sheet as at December 31, 2018.

26.2 PFRS 16, 'Leases'

PFRS 16 replaces the provisions of Philippine Accounting Standards (PAS) 17 that relate to the accounting for lease agreements. Refer to Note 19 for the details of the impact.

The adoption of PFRS 16 Leases from January 1, 2019 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in Note 29.21. In accordance with the transitional provisions in PFRS 16, comparative figures have not been restated.

Note 27 - Financial risk and capital management

27.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's Chief Finance Officer under policies approved by the Group's BOD. These policies provide written principles for overall risk management. There were no changes in policies and processes in the Group's financial risk management in 2019 and 2018.

27.1.1 Market risk

(a) Foreign exchange risk

Currency risk arises when future commercial transactions, and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. In the normal course of business, the Group transacts with certain entities based outside the Philippines particularly for export deliveries, and purchases of raw materials and supplies, and these transactions are being settled in U.S. Dollar and/or other currencies.

However, the foreign exchange risk exposure is brought down to an acceptable level since average trade payment terms approximate each other, which range between 30 and 60 days upon which the risk associated with foreign exchange rates are deemed negligible. The Group enters into foreign exchange forward contracts with average term of a month in order to reduce losses on possible significant fluctuations in the exchange rates. As at December 31, 2019, foreign exchange forward contracts amount is P8,707 (2018 - P10,201) included as other accrued expenses in Note 10.

These foreign currency forward contracts are accounted for as financial instruments at fair value through profit or loss.

The impact to profit and loss amounted to P19,324 loss (2018 - P9,929; 2017 - P18,807) and was booked under other operating income, net (Note 18).

Sensitivity analysis is only performed for the U.S. Dollar and Euro since exposure to other currencies determined to be minimal. As at December 31, 2019, if the Philippine Peso had weakened/ strengthened by 4.06% (2018 - 5.04%) against the U.S. Dollar with all other variables held constant, equity and income before tax for the year would have been lower/higher by P18,490 (2018 - P26,349) as a result of foreign exchange loss/gain on translation of US Dollar-denominated net liabilities.

As at December 31, 2019, if the Philippine Peso had weakened/strengthened by 6.47% (2018 - 1.14%) against the Euro with all other variables held constant, equity and income before tax for the year would have been lower/higher by P436 (2018 - P278) as a result of foreign exchange loss/gain on translation of Euro-denominated net liabilities.

The rates are based on annual average actual exchange by leading international financial institutions as at December 31, 2019 and 2018.

(b) Commodity price risk

The Group is exposed to the risk that the prices for certain primary raw materials (e.g. copper and aluminum) will increase or fluctuate significantly. Most of these raw materials are global commodities whose prices are cyclical in nature and increase or decrease in line with global market conditions. The Group is exposed to these price changes to the extent that it cannot readily pass on these changes to the customers of its respective businesses, which could adversely affect the Group's margins.

As at December 31, 2019, if the market prices of the Group's purchases increase/decrease by 3.5% (2018 - 5.2%) (based on average price inflation), equity and profit before tax for the year would have been lower/higher by P283,210 (2018 - P357,044). The Group does not engage in commodities hedging.

(c) Cash flow and fair value interest rate risk

The Group is not significantly exposed to cash flow and fair value interest rate risk since short-term borrowings are made at fixed interest rates and are settled within 12 months.

The Group's exposure to movements in market interest rate relate primarily to its fixed or short-term deposits placed with local banks and borrowings from local banks. The Group is not significantly exposed to cash flow and fair value interest rate risks since its income and operating cash flows are substantially independent of changes in market interest rates.

27.1.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from deposits and short-term placements with banks and financial institutions, as well as credit exposure to trade customers, including other outstanding receivables. For banks, the Group only has existing deposit arrangements with either universal or commercial banks, which are considered top tier banks in terms of capitalization as categorized by the Bangko Sentral ng Pilipinas.

The Group has no significant concentrations of credit risk due to the large number of customers comprising the customer base and it has policies in place to ensure that the sale of goods is made only to customers with an appropriate credit history. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, Credit and Collection (C&C) group of each subsidiary assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal and external ratings in accordance with the credit policy limits. The utilization of credit limits are regularly monitored by the C&C group of each subsidiary. Nonetheless, the Group is still exposed to risk of non-collection arising from disputes and disagreements on billings which may deter the collection of outstanding accounts on a timely basis.

The group has three (3) types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents
- Trade receivables from sale of goods and services
- Contract assets relating to POC contracts

The Group's assessment of its credit risk on cash and cash equivalents, receivables and contract assets are disclosed in Notes 2, 3 and 15, respectively.

27.1.3 Liquidity risk

The Group observes prudent liquidity risk management through available credit lines and efficient collection of its receivables, which enables the Group to maintain sufficient cash to meet working capital requirements, planned capital expenditures, and any short-term debt financing requirements. On top of liquidity risk management above, the Group also performs a monthly review of its financing requirements for working capital and loan capital expenditures and where deemed necessary, the Group obtains short-term bank borrowings to cover for immediate expenses and maturing obligations. Results of management's review are reported to the BOD on a regular basis.

As at December 31, the Group has available letters of credit and loan credit facilities from various financial institutions as follows:

Type of credit facility	2019		2018	
	Currency	Amount	Currency	Amount
Bank of Philippine Islands				
Revolving promissory note line	Philippine Peso	2,000,000	Philippine Peso	2,000,000
Lease line	Philippine Peso	150,000	Philippine Peso	150,000
Short-term loan line	Philippine Peso	-	Philippine Peso	-
Import letters of credit and trust receipt line	Philippine Peso	-	Philippine Peso	-
Bills purchased line	Philippine Peso	100,000	Philippine Peso	100,000
Corporate card guarantee	Philippine Peso	-	Philippine Peso	-
Foreign exchange settlement line	U.S. Dollar	3,000	U.S. Dollar	3,000
Citibank				
Bills purchased line	Philippine Peso	45,000	Philippine Peso	45,000
Letters of credit	U.S. Dollar	7,800	U.S. Dollar	5,200
Foreign exchange settlement risk line	U.S. Dollar	1,000	U.S. Dollar	1,000
Foreign exchange pre-settlement risk line	U.S. Dollar	200	U.S. Dollar	200
Short-term loan line	U.S. Dollar	8,080	U.S. Dollar	-
Commercial cards	U.S. Dollar	510	U.S. Dollar	-
Banco De Oro				
Short-term loan line	Philippine Peso	500,000	Philippine Peso	500,000
Bills Purchased line	Philippine Peso	50,000	Philippine Peso	50,000
Foreign exchange settlement line	Philippine Peso	20,000	Philippine Peso	20,000

Trade and other payables, and amounts due to related parties are unsecured, non-interest bearing and are normally settled within 30 to 60 days from transaction date. As at December 31, 2019 and 2018, all of the Group's financial liabilities are due and demandable within 12 months. The Group expects to settle these obligations in accordance with their respective maturity dates. These balances equal their carrying amounts as the impact of discounting is not significant. Based on management's assessment, the Group has sufficient level of readily available funds, which do not yet consider expected receipts from collection of current trade receivables, to settle maturing obligations as they fall due.

27.2 Capital management

The Group's objectives when managing capital, which is equivalent to the total equity shown in the consolidated statements of financial position, less charges to other comprehensive loss, are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital which will reduce the need to obtain long-term borrowings and incur higher cost of capital such as interest expense. There were no changes in policies and processes in the Group's capital management in 2019 and 2018.

The details of the Group's capital are as follows:

	2019	2018
Share capital	407,264	407,264
Share premium	993,243	993,243
Treasury shares	(146,528)	(73,759)
Retained earnings	4,063,053	3,605,823
	5,317,032	4,932,571

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends, increase capital through additional contributions or sell assets in lieu of third party financing. No changes were made in the objectives, policies and processes as at December 31, 2019 and 2018.

The Group has no significant capital risk exposure given the level of financial assets available to finance its current liabilities. Also, the Group is not subject to externally imposed capital requirements arising from debt covenants and other similar instruments since it has no long-term borrowings from banks and financial institutions. Moreover, the Group is not subject to specific regulatory restrictions on its capital other than required public float of at least 10% of issued and outstanding shares, exclusive of any treasury shares. The Parent Company is compliant with this requirement.

27.3 Fair value estimation of financial assets and liabilities

The Group's foreign exchange forward contracts, which are measured at fair value, qualify under Level 2. Accordingly, the fair values of these financial liabilities are based on published closing rate with any resulting value no longer subject to discounting due to the relative short-term maturity of these instruments. The Group does not account these contracts under hedge accounting; and accordingly recognizes fluctuations in fair value directly to profit or loss. As at December 31, 2019 and 2018, the Group has no other financial assets or liabilities measured and carried at fair value that would qualify as either Level 1 or 3.

Note 28 - Critical accounting estimates, assumptions and judgments

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

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

28.1 Critical accounting estimates and assumptions

28.1.1 Useful lives of property and equipment

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

If the actual useful lives of these assets is to differ by +/-10% from management's estimates the carrying amount of these assets as at December 31, 2019 would be an estimated +P127,720/ -P147,985 (2018 - +P66,882/ -P81,571) (Note 5).

The sensitivity rate used above represents management's assessment of the reasonably possible change in estimated useful lives of the Group's property and equipment with the more significant composition (e.g., machineries and equipment). The sensitivity analysis includes all of the Group's property and equipment.

28.1.2 Provision for warranty cost

The provision for warranty cost is estimated using a determined weighted average rate applied to actual sales, which is based on the Group's past actual warranty cost and current year's reassessment of trends and cost. An increase in number of incidents of warranty utilization at the current year would increase provision recognized at reporting date in anticipation of similar trend in subsequent periods. The details of the provision for warranty are shown in Note 11.

If the estimated weighted average rate applied to determine reasonable level of provision for warranty increased/decreased by 17% (2018 - 35%) income before tax and equity would have been P18,556 (2018 - P22,590) lower/higher. This is mainly due to corresponding adjustments on recorded warranty cost. The rate applied is based on average fluctuation from the previous year.

28.1.3 Provision for retirement benefits

The determination of each subsidiary's retirement obligation and benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. These assumptions, as described in Note 20, include among others, discount rate and salary increase rate.

The sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement benefit obligation was expressed as a percentage change from the base retirement benefit obligation.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed the base retirement benefit obligation. Moreover, separate sensitivity was performed for each subsidiary in consideration of varying terms, scope, employee profile, and others.

The impact on equity and pre-tax profit of potential changes in the discount rate and salary increase rate in the amount of defined benefit obligation for the years ended December 31 are presented below:

	2019		2018	
	%	Impact	%	Impact
Average decrease due to 100 basis point (bps) decrease in discount rate	(6.20%)	(5,113)	(6.02%)	(3,961)
Average increase due to 100 bps decrease in discount rate	7.05%	5,805	6.83%	4,472
Average increase due to 100 bps increase in salary increase rate	6.98%	5,736	6.92%	4,509
Average decrease due to 100 bps decrease in salary increase rate	(6.25%)	(5,152)	(6.17%)	(4,062)

28.1.4 Provision for volume rebates, trade discounts and other incentives

Revenue is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross sale is reduced by rebates, discounts, and other incentives given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organizations are dependent upon the submission of claims sometime after the initial recognition of the sale. Provisions are made at the time of sale for the estimated rebates, discounts or incentives to be made, based on available market information and historical experience. Because the amounts are estimated, they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of provision is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group. The details of the provision for volume rebates, trade discounts, and other incentives are shown in Note 3.

If the estimated weighted average rate applied to determine reasonable level of provision for volume rebates, trade discounts and other incentives increased/decreased by 31% (2018 - 22%), profit before tax and equity would have been P355,252 (2018 - P109,471) lower/higher. This is mainly due to corresponding adjustments on recorded trade and volume discounts. The rate applied is based on average fluctuation from the previous year.

28.1.5 Provision for contingencies

Provision for contingencies is estimated based on consultation with third party counsels with reference to probability of winning the case. A higher probability of winning would decrease provision. The Group considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the provision for contingencies at the reporting date. The details of the provision for contingencies matters are shown in Note 12.

28.1.6 Percentage of completion on installation contracts

Revenues from contracts are recognized under the percentage of completion method. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs of each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. The Group considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding percentage of completion of contracts.

28.1.7 Incremental borrowing rate of lease liabilities

The lease payments for lease of vehicles are discounted using the interest rate implicit in the lease. Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. Where third party financing cannot be obtained, the Group uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Group and (2) security using the right-of-use asset. The discount rates applied by the Group are disclosed in Note 19.

28.1.8 Extension and termination options of lease agreements

Extension and termination options are included in a number of property and equipment leases of the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

28.2 Critical judgments in applying the Group's accounting policies

28.2.1 Impairment of goodwill

The Group reviews the goodwill annually for impairment and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, and at the end of the first full year following acquisition (Note 8). Goodwill is monitored by management at COPI's business level (lowest level of CGU identified) following its acquisition by Parent Company.

As at December 31, 2019 and 2018, based on management's assessment and judgment, there is no indication of impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2019 and 2018, the recoverable amount of COPI's business was determined based on value in use calculation (using Level 3 inputs) using certain assumptions. Management has engaged a third party which employed the discounted cash flow method in computing for the value in use. The calculations made use of cash flow projections based on financial forecasts approved by the BOD covering a five-year period beginning 2019.

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

Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2019 to 2023 and the annuity and present value factors using the computed discount rates (and sensitivities) to determine the value of COPI's business beyond five-year projections.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2019.

The following are the key assumptions used:

	2019	2018
Revenue growth rate (average per past experience)	17.00%	22.00%
Pre-tax adjusted discount rate	13.08%	14.81%
Terminal growth rate	3%	0%

Goodwill arising from the Group's acquisition of Teko was assessed as not impaired since the current carrying amount approximates its fair value as at December 31, 2019.

28.2.2 Impairment of intangibles - customer relationships and customer contract backlogs

The Group's intangibles include customer relationships and customer contract backlogs from acquisition of COPI (Note 8). These intangibles are carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In calculating the fair value of customer relationships and customer contract backlogs, the Group used the same revenue growth and discount rate in calculating the value in use of COPI. Changes in those judgments could have a significant effect on the carrying value of intangible assets and the amount and timing of recorded impairment provision for any period.

28.2.3 Impairment of investment in associates

The Group's investment in associates is carried using the equity method in this consolidated financial statements. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management judgments and assessments could have a significant effect on the carrying value of investment in associate and the amount and timing of recorded provision for impairment for any period.

As at December 31, 2019 and 2018, based on management's assessment and judgment, the carrying value of its investment in associates is not impaired. CMI is already profitable in 2019 while the newly acquired Tenex, management has assessed that its losses would be temporary.

28.2.4 Provision for impairment of receivables

The provision for impairment of receivables is based on the Group's assessment of collectibility of payments from its debtors through varying schemes including specific identification. This assessment requires judgment based on available facts and circumstances regarding the ability of the debtors to pay the amounts owed to the Group such as financial condition, the length of relationship with a debtor, debtors' current credit status based on known market factors and availability of assets that may be secured as collateral, and the outcome of any disputes.

Any change in the Group's assessment of collectibility of receivables that was not previously provided for due to reassessment made as additional information is received could significantly impact the calculation of such provision and the results of operations. The amounts and timing of recorded provision for impairment of receivables for any period would differ if the Group made different assumptions or utilized different estimates. The details of receivables are disclosed in Note 3.

28.2.5 Provision for inventory obsolescence and losses

The Group recognizes a provision for inventory obsolescence and losses based on a review of the movements and current condition of each inventory item with adequate consideration on identified damages, physical deterioration, technological and commercial obsolescence or other causes. The provision account is reviewed on a periodic basis to reflect the accurate valuation of the Group's inventories. Inventory items identified to be obsolete and unusable is written-off, and charged as expense for the period. Management determines on a regular basis the necessity of providing for impairment. Results of management's assessment disclosed the needed provision for inventory obsolescence and losses as at December 31, 2019 amounts to P55,631 (2018 - P71,458). Any change in the Group's recoverability assessment could significantly impact the determination of such provision and the results of operations. The details of inventories are shown in Note 4.

28.2.6 Impairment of property and equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. Accordingly, results of management's most recent assessment disclosed the absence of any conditions such as physical damage or significant change in manufacturing operations; rendering certain property and equipment as obsolete and would warrant assessment for impairment and/or recognition of an impairment provision in its carrying amount as at reporting date. The details of property and equipment are shown in Note 5.

28.2.7 Income taxes

A certain degree of judgment is required in determining the provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Further, recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied.

The Group assesses the recoverability of outstanding balances of deferred income tax assets up to the extent that is more likely than not will be realized. The Group reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Except for NOLCO and MCIT of certain entities, management believes that deferred income tax assets are fully recoverable at the reporting date. The details of deferred income tax assets are shown in Note 9.

28.2.8 Contingencies

The Group has legal cases still pending with the courts and tax assessments pending with the BIR. Management and in consultation with third party counsels believes, however, that its position on each case has legal merits and for certain loss positions, if any, corresponding provisions were recognized based on existing conditions and available information as at reporting date. Annual assessment is made and actual results may differ significantly from the amount recorded. The details of provisions are shown in Note 12.

28.2.9 Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

28.2.10 Accounting for transfer of assets

The Group assesses whether a transaction would constitute as an asset acquisition or a business combination. For a transaction to meet the definition of a business combination and for the acquisition method of accounting to apply, an entity must gain control of the integrated set of assets and activities that is more than a collection of assets or a combination of assets and liabilities. A business would normally be carrying on a continuing trade with identifiable revenue. The assets or combination of assets and liabilities of the acquired entity interact with each other and with the people who operate the assets as a business.

In 2016, the Parent Company established CBSI to perform administrative functions for the Group. In setting up CBSI, CCAC transferred some of its net assets including some of its employees to CBSI. The Group assessed that the assets transferred and liabilities assumed by CBSI does not constitute a business since the set of assets and employees transferred would need to be combined with other group of assets to generate identifiable revenues, thus, the acquisition method of accounting was not applied.

28.2.11 Determining control over a subsidiary

The Parent Company follows the guidance of PFRS 10, 'Consolidated Financial Statements' in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the BOD, or power to cast the majority of votes at meetings of the BOD.

Despite only having 30% ownership as at December 31, 2018, the Parent Company thru CTC has control over the key economic decisions and policies affecting Teko under the duly signed amended shareholders' agreement including provision for majority board representation. Consequently, based on management's judgment and continuous assessment of the Parent Company, Teko is considered a subsidiary as at December 31, 2018.

Note 29 - Summary of significant accounting policies

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

29.1 Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of these consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 28.

Changes in accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the Group

There are a number of new accounting standards, amendments and interpretations that have been published that are mandatory for December 31, 2019 reporting periods. None of these standards, amendments and interpretations have a significant impact on the Group's financial statements except for:

PFRS 16, Leases

PFRS 16 replaces the guidance of PAS 17 that relate to the accounting by lessees and the recognition of almost all leases in the balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right-of-use asset) and a lease liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On adoption of PFRS 16, applying the modified retrospective approach, the Group recognized lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019.

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

In applying PFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- c) accounted for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- d) excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The effects of adoption of PFRS 16 on the Group's financial statements as at January 1, 2019 are as follows:

	Increase (decrease)
Right-of-use-assets	419,370
Leased liabilities	458,722
Retained earnings	(3,504)

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of PFRS 16.

Philippine Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments (effective January 1, 2019)

The interpretation explains how to recognize, and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account,
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored,
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment,
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Based on the Group's assessment, the interpretation did not result to significant changes on its current recognition and measurement of deferred and current income tax assets and liabilities.

PAS 19 (Amendments), Employee Benefits - Plan Amendment, Curtailment or Settlement (effective January 1, 2019)

The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). The adoption did not have a significant impact on the Group's financial statements.

(b) New standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for December 31, 2019 reporting period and have not been early adopted by the Group. None of these, standards, amendments and interpretation is expected to have a significant impact on the Group's financial statements but the more relevant ones are set out below:

Definition of Material - Amendments to IAS 1 and IAS 8 (effective January 1, 2020)

The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

None of these amendments are expected to have significant impact on the Group's consolidated financial statements.

Revised Conceptual Framework for Financial Reporting (effective January 1, 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The above is not expected to have significant impact on the Group's consolidated financial statements.

29.2 Consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. The Group uses uniform accounting policies and any difference is adjusted accordingly.

29.2.1 *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Parent Company has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are de-consolidated from the date on which control ceases.

The details of the Parent Company's subsidiaries as at December 31, 2019 and 2018 are as follows:

Entity	2019		2018	
	Percentage of Ownership Direct	Indirect	Percentage of Ownership Direct	Indirect
CCAC	60	-	60	-
CDI	100	-	100	-
CBSI	100	-	100	-
CTC	100	-	100	-
Alstra	100	-	100	-
COPI	-	51	-	51
Teko	-	52	-	30

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; and Teko is 48% as at December 31, 2019 (2018 - COPI is 49%; CCAC is 40%; and Teko is 70%). The summarized financial information of subsidiaries with material NCI are presented in Note 7.2.

NCI is the residual equity in CCAC, COPI and Teko not attributable, directly or indirectly, to the Parent Company as shown in the table above.

(a) Business combination through acquisition of business

The Group applies the acquisition method to account for business combinations that are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, NCI recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intercompany transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated (Note 14).

Investment in subsidiary is derecognized upon disposal or loss of control over a subsidiary. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss. Upon loss of control, the investment account is measured at fair value, any difference between carrying amount and the fair value of investment is recognized in profit or loss.

(b) Business combinations under common control

Business combinations under common control, which include those entities under common shareholding, are accounted for using the predecessor cost method (similar to merger accounting/pooling of interest method). Under this method, the Group does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which financial statements are prepared. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

The consolidated financial statements incorporate the assets, liabilities and results of operations of the combining entities or businesses as if they had always been combined or from the date when the combining entities or businesses first became under common control, whichever period is shorter. The difference between the consideration given and the aggregate book value of the assets and liabilities acquired as at the date of the transaction are offset against other reserves, which is presented as a separate line item under equity in the consolidated statements of financial position. The effect of the Parent Company's equity in the subsidiaries, and intercompany transactions and balances were eliminated in the consolidated financial position and results of operations.

29.2.2 Associates

Associate are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. An investment in associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

29.3 Cash and cash equivalents

Cash and cash equivalents, which are carried at face amount or nominal amount, include deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less from the date of acquisition. Short-term highly liquid investments with original maturities of more than three (3) months are booked as part of prepayments and other current assets (Note 29.7).

29.4 Receivables

Receivables are amounts due from customers for merchandise sold or services performed and amounts due from other debtors in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-60 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Other receivable amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

Policy on impairment and other relevant policies on receivables are disclosed in Note 29.5. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited to operating expenses in profit or loss.

A provision for incentives on trade receivables (volume rebates, discounts and other incentives) is recognized once pre-determined conditions such as realization of volume targets and early payment dates have been reliably estimated. The amount of provision is estimated based on agreed rates stipulated in contracts with dealers as applied to total sales for volume rebates as approved by the Chief Finance Officer or Chief Operating Officer or the head of the Strategic Unit. These are deducted from revenues in profit or loss and from trade receivables in the consolidated statements of financial position.

29.5 Investments and other financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss .

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3 for further details.

Financial liabilities

(a) Classification

The Group classifies its financial liabilities at initial recognition in the following categories: at FVPL and other financial liabilities.

(i) Financial liabilities at FVPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at FVPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

A financial liability is classified as financial liability at FVPL upon initial recognition if: such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; the financial liability forms part of group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and PAS 39 permits the entire combined contract (asset or liability) to be designated as FVPL.

The Group's foreign exchange forward contracts included under trade payables and other liabilities account in the consolidated statements of financial position qualify as a derivative and are accounted for at FVPL.

(ii) Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include trade payables and other liabilities (Note 29.14) (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions) and borrowings (Note 29.15).

(b) Initial recognition and derecognition

Financial liabilities are carried at FVPL are initially recognized at fair value and transaction costs are recognized as expense in profit or loss. Other financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

Derivatives are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains or losses arising from changes in the fair value are presented in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

29.5.3 *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party. As at December 31, 2019 and 2018, there are no financial assets and liabilities that were offset.

29.6 Fair value measurement

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

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

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

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

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

As at December 31, 2019 and 2018, the Group does not hold financial and non-financial assets and liabilities at fair value other than foreign exchange forward contracts (Note 29.5).

29.7 Prepayments and other current assets

Prepayments, which are carried at cost, are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other current assets include short-term investments, input VAT and creditable withholding taxes.

Input VAT and creditable withholding taxes are recognized as assets in the period such input VAT and income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

29.8 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of raw materials, finished goods, work-in-process and spare parts and supplies is determined using the standard cost method adjusted on a regular basis to approximate actual cost using the moving average cost method. Cost of finished goods and work-in-process includes raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Inventories-in-transit are valued at invoice cost plus incidental charges. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories are derecognized either when sold or written-off. When inventories are sold, the carrying amount of those inventories is recognized as an expense (under cost of sales and services) in the period in which the related revenue is recognized.

Provisions for inventory obsolescence and losses are set-up, if necessary, based on a review of the movements and current condition of each inventory item. Inventories are periodically reviewed and evaluated for obsolescence. Provisions for inventory obsolescence are made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized 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 realizable value is recognized as income in the period in which the reversal occurs.

29.9 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs of assets under construction are accumulated in CIP account until these projects are completed upon which they are transferred to appropriate property and equipment accounts.

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

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

Machinery and equipment	3 to 10
Transportation equipment	3 to 10
Furniture, fixtures and office equipment	2 to 5
Tools and equipment	3 to 5

Building and leasehold improvements are amortized over term of the lease or estimated useful life of five (5) years, whichever is shorter. Major renovations are depreciated over the remaining useful life of the related asset.

CIP is not depreciated until they are classified to appropriate asset category and used in operation.

The assets' residual values, useful lives and depreciation and amortization method are reviewed and adjusted, as appropriate, at each reporting date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount (Note 29.12).

The carrying amount of an item of property and equipment is derecognized on disposal; or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss under other operating income (expense).

29.10 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment properties will flow to the Group and cost of the investment can be measured reliably. The cost of investment property includes costs incurred initially to acquire the asset and costs incurred subsequently to add to, replace part of, or service a property.

Investment property is tested for impairment once indicators of impairment are present. The carrying amount of the investment property is written down immediately to its recoverable amount if the former is greater than its estimated recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For purposes of assessing impairment of the investment property, fair value less cost to sell is based on the best information available to reflect the amount that the Group would obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal. In determining this amount, the Group considers the outcome of recent transaction for similar property within the same location. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Investment property is derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from their use or disposal. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized through profit or loss in the year of disposal.

29.11 Intangible assets

29.11.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any NCI in the acquired company and the acquisition-date fair value of any previously-held interest in the acquired company over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

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

29.11.2 Customer relationships and customer contract backlogs

Customer relationships and backlogs acquired in a business combination are recognized at the fair value at the acquisition date. The contractual customer relations and backlogs have a finite useful lives of 25 years and 2 to 3 years, respectively, and are carried at cost less accumulated amortization.

29.11.3 Computer software

Computer software cost is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over its estimated useful lives of 3 to 5 years.

An intangible asset is derecognized on disposal, by sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition is recognized in profit or loss when the asset is derecognized.

29.12 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increase should not exceed the carrying amount that would have been determined had not the impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income immediately.

29.13 Current and deferred income tax

The provision for income tax for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess MCIT) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except that the deferred income tax liability arises from initial recognition of goodwill.

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

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are derecognized when the relevant temporary differences are realized/settled or recoverability is no longer probable.

29.14 Trade payables and other liabilities

Trade payables and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. Payables are generally due within 30-60 days and therefore are all classified as current. Trade payables and other liabilities are classified as current liabilities if payment is due within one (1) year or less. If not, they are presented as non-current liabilities. These are unsecured, non-interest bearing and are recognized initially at fair value and subsequently measured at amortized cost which is normally equal to their nominal value. Other relevant policies are disclosed in Note 29.5.

29.15 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss within finance costs over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use when it is probable that they will result in future economic benefits to the Group and costs can be measured reliably. Other borrowing costs are expensed as incurred.

Borrowings are derecognized upon payment, cancellation or expiration of the obligation. Other relevant policies are disclosed in Note 29.5.

29.16 Provisions

Provisions are recognized when: (a) the Group has a present legal or constructive obligation as a result of past events; (b) it is more likely than not that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Provisions are derecognized when the obligation is settled, cancelled or has expired. Provisions are not recognized for future operating losses. Provisions include those for contingencies and commissions.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

The Group recognizes warranty provision, which represents estimated costs including replacement parts and labor that will be incurred in relation to requested service for reported damages and required rework of defective finished goods within the allowable period. The provision is evaluated on an annual basis; and adjusted accordingly which includes actual utilization of warranty provisions. Any increase or decrease in the amount based on reassessment of existing trends and circumstances are charged against or credited to operating expenses in profit or loss. Warranty provisions are classified as current liabilities if the warranty period is due within one (1) year. If not, they are presented as non-current liabilities.

29.17 Equity

29.17.1 Share capital and share premium

Common shares are stated at par value and are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from issuance of shares over the par value of shares are credited to share premium.

29.17.2 Retained earnings

Retained earnings include current and prior years' results of operations, and dividends declared, if any. Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Parent Company's BOD.

29.17.3 Dividends

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

Share dividend represents dividend payment made in the form of additional shares rather than a cash payout. Dividend distribution to the Parent Company's shareholders is recognized as an addition to share capital in the Parent Company's financial statements in the period in which the dividends are approved by the Parent Company's BOD.

29.17.4 Treasury Shares

Where the Parent Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

29.18 Earnings per share

29.18.1 Basic

Basic earnings per share is calculated by dividing the income attributable to owners of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalisation or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

29.18.2 Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. As at report date, the Parent Company has no dilutive potential common shares including convertible debt and share options.

29.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee and BOD. The Executive Committee and the BOD analyze the Group's results of operation after considering eliminating entries.

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

29.20 Revenue, cost and expense recognition

29.20.1 Revenues

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

The Group recognizes revenue when the amount of revenue can be reliably measured and it is possible that future economic benefits will flow into the entity and specific criteria have been met. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, trade and volume discounts, returns and other incentives.

(a) Sale of goods

(i) Sale of goods - wholesale

The Group manufactures and sells a range of air-conditioning, refrigeration and other electronic equipment in the wholesale market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision, see Note 11.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sale of services

The Group provides installation services and preventive maintenance services of products purchased by its customers. These services are provided on a time-basis or as a fixed-price contract. Contract terms of preventive maintenance services of equipment generally range from less than a year to three (3) years, subject to renewal. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of elevators/escalators and related installation services. However, the installation is simple, since it does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of elevators/escalators, revenue for the goods is recognized at a point in time when the goods is delivered, the legal title has passed and the customer has accepted the goods.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(c) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(d) Commission, interest and other operating income

The Group recognizes commission income upon actual receipt of inventory deliveries made to both domestic and offshore customers on behalf of a counterparty, which normally is a related party, based on pre-agreed rates.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Other operating income is recognized in profit or loss when earned.

29.20.2 Cost and expenses

Cost and expenses are recognized in profit or loss when incurred. Interest expense is recognized on a time-proportion basis using the effective interest method.

29.21 Leases - Group as lessee

Until December 31, 2018, leases of office space, equipment and vehicles were classified as either finance leases or operating leases. From January 1, 2019, the Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

From January 1, 2019 (PFRS 16)

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

i. Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

iii. Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

iv. Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Prior to January 1, 2018 (PAS 17)

i. Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to operating expenses in the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

ii. Finance lease

Leases of assets, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

29.22 Employee benefits

29.22.1 Retirement benefit obligation

CIC, CCAC, CBSI, CTC and COPI maintains a non-contributory defined benefit retirement plan which is a retirement plan that defines an amount of pension benefit that an employee will receive upon retirement, dependent on certain factors such as age, years of credited service, and compensation. CDI recognizes retirement benefit cost in accordance with RA 7641 (Retirement Law) which is also classified as a defined benefit plan.

The liability recognized in the consolidated statements of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit obligations at the reporting date less the fair value of plan assets. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), each subsidiary measures the resulting asset at the lower of (a) such amount determined, and (b) the present value of any economic benefits available to each subsidiary in the form of refunds or reduction in future contributions to the plan. The defined benefit obligation is calculated on a regular periodic basis by an independent actuary using the “projected unit credit cost” method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which they arise.

Past service costs are recognized immediately in profit or loss.

29.22.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

29.22.3 Bonus incentives

The Group recognizes a liability and an expense for performance-related bonuses, based on a formula that takes into consideration the profit attributable to the Group after certain adjustments and employee’s performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

29.22.4 Other benefits

Wages, salaries, paid annual vacation and sick leave credits and other non-monetary benefits are accrued during the period in which the related services are rendered by employees of the Group. Short-term employee benefit obligations are measured on an undiscounted basis.

On June 11, 2018, the BOD approved the 2018 Long Term Share Incentive Plan. Under the Plan, a percentage of the Group’s profit will be used to buy its existing shares in the stock market, which will then be given to entitled employees as an award based on pre-determined conditions. The program will be funded annually based on 1% to 2% of CIC profit based on the financial measure of Profit After Tax and Minority Interest. There were no incentives granted in 2019 and 2018.

29.23 Foreign currency transactions and translation

29.23.1 Functional and presentation currency

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

29.23.2 Transactions and balances

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

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

29.24 Related party relationships and transactions

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

29.25 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an economic benefit is probable.

29.26 Subsequent events

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

Due to the enhanced community quarantine being implemented by the National Government to address COVID-19, the Group has identified risks to the business as disruption of work operations in affected locations, and the impact of such on market demand for the Group's products. The Group has provided concrete and defined guidelines and protocols adhering to all proposed government regulations on this matter which it cascaded to all employees as of March 12, 2020 for strict implementation in all locations and field offices. Further, the Group has postponed mass events and marketing activities and temporarily scaled down its operations appropriately.

On the business impact, the Group's suppliers highlighted potential resource issue since manpower (production and logistics) movement is restricted by quarantine conditions which caused production delays. However, such situation is beginning to normalize and is steadily recovering. Alternative sourcing strategies are in place while ensuring qualification of new parts and finished goods.

The Group has assessed that the current situation would not result in any significant loss of business that may cause impairment of its assets nor impact the Group's ability to meet their obligations.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
December 31, 2019

Table of Contents

First Section

Statement of Management's Responsibility for the Consolidated Financial Statements
Independent Auditor's Report
Consolidated Statements of Financial Position
Consolidated Statements of Total Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

Second Section

Supplementary Schedules

Schedule of Reference

Financial Assets	A
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Shareholders (Other than Related Parties)	B
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	C
Intangible Assets - Other Assets	D
Long-Term Debt	E
Indebtedness to Related Parties	F
Guarantees of Securities of Other Issuers	G
Capital Stock	H

Additional Components of Financial Statements

Schedule of Financial Soundness Indicators
Schedule of Ownership Structure
Reconciliation of the Parent Company's Retained Earnings
Available for Dividend Declaration

Concepcion Industrial Corporation and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2019
(All amounts in thousand Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
N/A	N/A	N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

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

As at December 31, 2019

(All amounts in thousand Philippine Peso)

Name of Employee	Balance at beginning of year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of year
Abarquez, Joseph Paulo	97	107	101	-	103	-	103
Acebuque, Samuel	33	117	45	-	105	-	105
Aguilar, Janica	54	142	57	-	139	-	139
Alejandrino, Michael	144	259	175	-	228	-	228
Amon, Edwin	211	126	111	-	226	-	226
Anchoriz, Bonifacio	93	101	93	-	101	-	101
Arquesa, Alvin	435	-	52	-	383	-	383
Aspre, Ma. Christina	374	315	553	-	136	-	136
Barredo, Teddy	267	320	333	-	254	-	254
Basilad, Marlo	343	-	69	-	274	-	274
Beltran, Cheryl	282	-	179	-	103	-	103
Beltran, Ronald	395	-	225	-	170	-	170
Buenaobra, Jerome	354	-	52	-	302	-	302
Bullo, Kenneth	-	160	40	-	120	-	120
Caingcoy, Marlot	155	242	251	-	146	-	146
Canseco, Edgardo	-	261	13	-	248	-	248
Caraan, Gener	88	177	148	-	117	-	117
Castillo, Kevin Roy	-	495	127	-	368	-	368
Chua, Amelia	242	-	52	-	190	-	190
Cosico, Dennis	184	320	291	-	213	-	213
Cristoria, Vilma	331	-	137	-	194	-	194
Cruz, Rachel	-	320	53	-	267	-	267
Cudiamat, Leonilo	-	337	41	-	296	-	296
Cuntapay, Lorelei	248	218	356	-	110	-	110
Danila, Rosalia	242	-	52	-	190	-	190
Dela Cruz, Carolina	127	163	169	-	121	-	121
Dela Cruz, Riam	260	-	113	-	147	-	147
Flores, Rolirey	-	213	106	-	107	-	107
Gutierrez, Janette	267	320	331	-	256	-	256
Hipolito, Aprille	-	405	303	-	102	-	102
Jacobo, Josephine	2	281	102	-	181	-	181
Juatco, Joseph Carlo	178	277	201	-	254	-	254
Khan, Raymond	322	-	69	-	253	-	253
Lazaro, Christian	29	386	286	-	129	-	129
Lozada, Marie Christian	343	-	69	-	274	-	274
Magdamit, Resyl	57	99	18	-	138	-	138
Manalon, Casius	66	243	205	-	104	-	104
Manzano, Lisette	-	373	263	-	110	-	110
Miller, Dion Andre	171	480	504	-	147	-	147
Navarez, Joana Lea	325	69	94	-	300	-	300
Ocampo, Paula Mae	107	320	226	-	201	-	201
Ofrecio, David	227	426	368	-	285	-	285
Olitan, Jaime Jr.	343	1	63	-	281	-	281
Razonable, Jerome	281	262	303	-	240	-	240
Reglos, Raymond	-	742	-	-	742	-	742
Rodriguez, Estrella	155	207	207	-	155	-	155
Ronquillo, Katryn Bernice	111	196	194	-	113	-	113
Sales, Tereso	242	-	52	-	190	-	190
Santiago, Dyanne	-	299	153	-	146	-	146
Tayamora, Rogelio	95	590	271	-	414	-	414
Ventura, Charina Rose	-	267	148	-	119	-	119
Yap, Cecille	243	133	96	-	280	-	280
Yee, Jasmin	181	172	252	-	101	-	101
Zubiri, Christopher Cris	4	265	103	-	166	-	166
Others	21,955	27,161	35,778	-	13,338	-	13,338
Total	30,663	38,367	44,653	-	24,377	-	24,377

Concepcion Industrial Corporation and Subsidiaries

Schedule C - Amounts Receivable from Related Parties
which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2019
(All amounts in thousand Philippine Peso)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Not Current	Balance at end of period
Concepcion Industrial Corporation, Parent Company	13,059	1,492,945	1,505,302	-	702	-	702
Concepcion-Carrier Air Conditioning Company, Subsidiary	15,645	125,841	85,415	-	56,071	-	56,071
Concepcion Durables Inc., Subsidiary	5,881	26,182	27,260	-	4,803	-	4,803
Concepcion Business Services, Inc., Subsidiary	64,073	472,517	486,493	-	50,097	-	50,097
Cortex Technologies Corporation, Subsidiary	1,556	7,062	1,582	-	7,036	-	7,036
Concepcion-Otis Philippines, Inc., Subsidiary	200,250	-	200,250	-	-	-	-

Concepcion Industrial Corporation and Subsidiaries

Schedule D - Intangible Assets - Other Assets As at December 31, 2019 (All amounts in thousand Philippine Peso)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	783,983	18,379	-	-	-	802,362
Customer relationships	148,657	-	(7,484)	-	-	141,173
Computer Software	67,729	11,701	(19,546)	-	-	59,884
	1,000,369	30,080	(27,030)	-	-	1,003,419

Concepcion Industrial Corporation and Subsidiaries

Schedule E - Long-Term Debt
As at December 31, 2019
(All amounts in thousand Philippine Peso)

Title of issue and Type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term Debt" in related balance sheet
N/A	N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule F - Indebtedness to Related Parties
(Long-Term Loans from Related Companies)
As at December 31, 2019
(All amounts in thousand Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule G - Guarantees of Securities of Other Issuers

As at December 31, 2019

(All amounts in thousand Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule H - Capital Stock
As at December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related balance sheet caption	Numbers of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	700,000,000	403,218,091	N/A	4,127,085	13,862,474	N/A

Concepcion Industrial Corporation and Subsidiaries

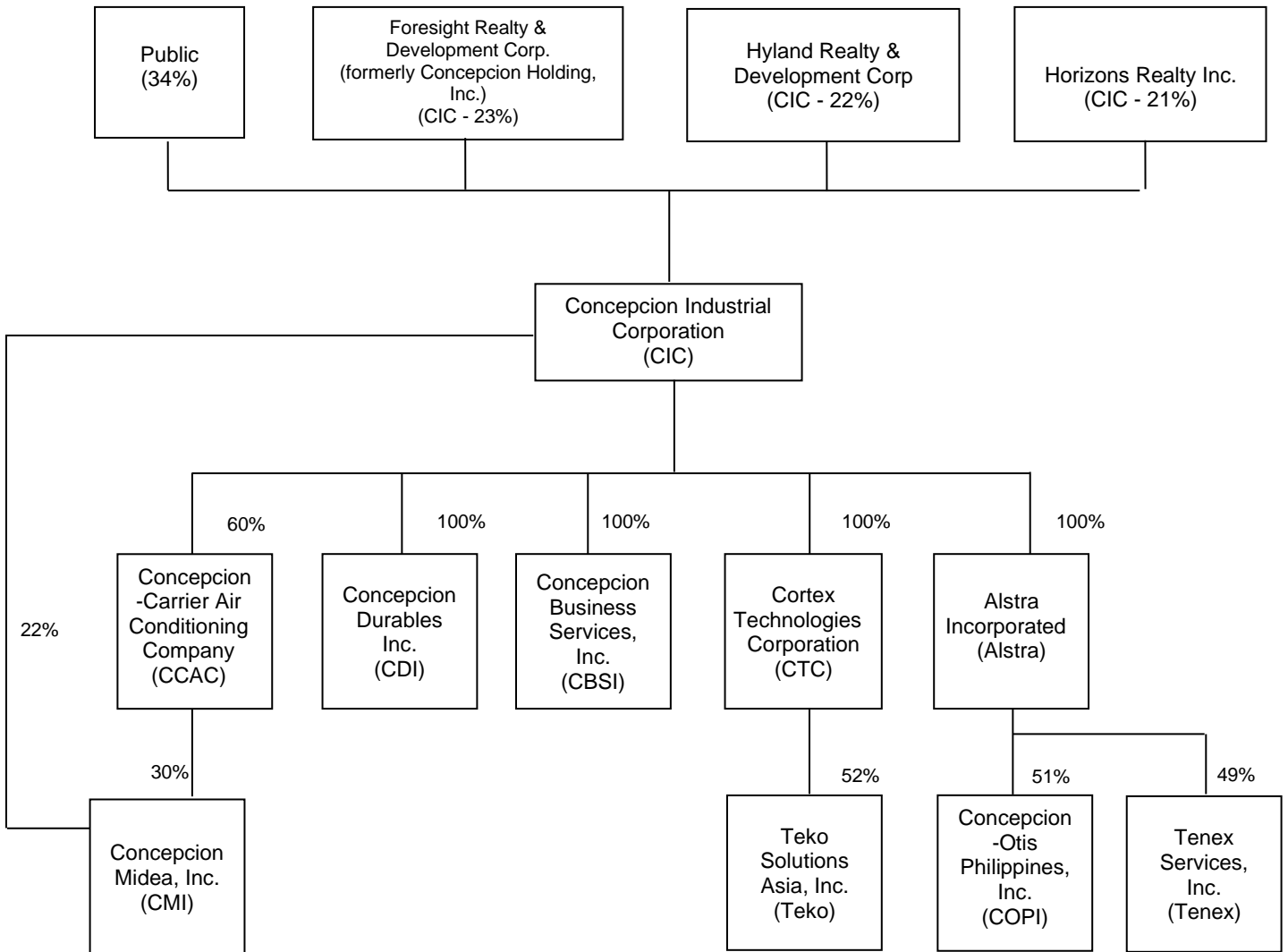
Additional Components of Financial Statements Schedule of Financial Soundness Indicators As at and for years ended December 31, 2019 and 2018

Ratio	Formula	Current Year	Prior Year
	Total Current Assets divided by Total Current Liabilities		
Current ratio	Total Current Assets	9,213,859	
	Divide by: Total Current Liabilities	<u>3,988,708</u>	2.31
	Current ratio	2.31	2.28
	Quick assets (<i>Total Current Assets less Inventories and Other Current Assets</i>) divided by Total Current Liabilities		
Acid test ratio	Total Current Assets	9,213,859	
	Less: Inventories	(2,332,697)	
	Other current assets	<u>(187,935)</u>	1.68
	Quick assets	6,693,227	
	Divide by: Total Current Liabilities	<u>3,988,708</u>	1.52
Acid test ratio	1.68		
	Total Assets divided by Total Liabilities		
Solvency ratio	Total Assets	12,137,786	
	Divided by: Total Liabilities	<u>4,870,500</u>	2.49
	Solvency ratio	2.49	2.60
	Total Liabilities divided by Total Equity		
Debt-to-equity ratio	Total Liabilities	4,870,500	
	Divided by: Total Equity	<u>7,267,286</u>	0.67
	Debt-to-equity ratio	0.67	0.63
	Total Assets divided by Total Equity		
Asset-to-equity ratio	Total Assets	12,137,786	
	Divided by: Total Equity	<u>7,267,286</u>	1.67
	Asset-to-equity ratio	1.67	1.63
	Earnings before interest and tax divided by Interest expense		
Interest rate coverage ratio	Earnings before interest and tax	2,114,183	
	Divided by: Interest expense	<u>35,576</u>	59.43
	Interest rate coverage ratio	59.43	323.71
	Net income attributable to owners of the Parent Company divided by average equity (net of Non-controlling interest)		
Return on average equity	Net income	946,764	
	Divided by: Average equity	<u>5,058,079</u>	18.72%
	Return on equity	18.72%	19.52%

Ratio	Formula	Current Year	Prior Year
	Net income divided by average Total Assets		
Return on average assets	Net income 1,429,532 Divided by: average Total Assets 11,552,916 Return on assets 12.37%	12.37%	13.67%
	Gross profit (<i>Net sales less cost of sales and services</i>) divided by Net sales		
Gross profit margin	Net sales 15,066,146 Less: Cost of sales and services (9,680,378) Gross profit 5,385,768 Divided by: Net sales 15,066,146 Gross profit margin 35.75%	35.75%	35.79%
	Income before income tax divided by Net sales		
Profit before tax	Income before income tax 2,078,607 Divided by: Net sales 15,066,146 Profit before tax 13.80%	13.80%	15.08%
	Net income attributable to owners of the Parent Company divided by average outstanding shares		
Earnings per share	Net income 946,764 Divided by: Outstanding shares 405,243 Earnings per share 2.34	2.34	2.25
	Total equity (net of non-controlling interest) divided by average outstanding shares		
Book value per share	Total equity 5,229,927 Divided by: Outstanding shares 405,243 Book value per share 12.91	12.91	12.04

Concepcion Industrial Corporation and Subsidiaries

Additional Components of Financial Statements
 Schedule of Ownership Structure
 As at December 31, 2019



Concepcion Industrial Corporation and Subsidiaries

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2019
(All amounts in Philippine Peso)

Unappropriated retained earnings, based on audited financial statements, beginning		1,760,509,922
Add: Net income actually earned/realized during the year	1,339,998,193	
Less: Non-actual/unrealized income net of tax		-
Equity in net income of associate/joint venture		-
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)		-
Unrealized actuarial gain		-
Fair value adjustment		-
Fair value adjustment of investment property resulting to gain		-
Adjustment due to deviation from PFRS/GAAP – gain		-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		-
Sub-total	1,339,998,193	
Add: Non actual losses		-
Depreciation on revaluation in revaluation increment (after tax)		-
Adjustment due to deviation from PFRS/GAAP – loss		-
Loss on fair value adjustment of investment property (after tax)		-
Net income actually earned during the year	1,339,998,193	1,339,998,193
Add (Less):		
Dividend declarations during the year		(486,606,229)
Appropriations of retained earnings during the year		-
Reversals of appropriations		-
Effects of prior period adjustments		687,548
Treasury shares		(72,768,710)
Accumulated share in income of an associate		-
Unappropriated retained earnings, end		2,541,820,724

COVER SHEET

A 1 9 9 7 1 3 4 5 6

SEC Registration Number

C O N C E P C I O N I N D U S T R I A L
 C O R P O R A T I O N

(Company's Full Name)

3 0 8 S E N . G I L P U Y A T A V E N U E
 M A K A T I C I T Y

(Business Address: No. Street City/Town/Province)

MA. VICTORIA A. BETITA

(Contract Person)

850-1367 ext. 262

(Company Telephone Number)

1 2

3 1

Month Day
(Fiscal Year)

1 7 - Q

(Form Type)

0 7

1 0

Month Day
(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

CORPORATE FINANCE

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2020
2. SEC Identification Number **A1997-13456** 3. BIR Tax Identification No. **005-029-401-000**
4. Exact name of issuer as specified in its charter - **CONCEPCION INDUSTRIAL CORPORATION**
5. **Philippines**
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **308 Sen. Gil Puyat Avenue, Makati City, Philippines** **1209**
Address of principal office Postal Code
8. **+632 7721819**
Issuer's telephone number, including area code

9.
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	407,263,891 (as of March 31, 2020)

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

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No []

13. The aggregate market value of the voting stock held by non-affiliates of the registrant is P11.8 billion. The price used for this computation is the closing price as of March 31, 2020 is P28.95.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements of Concepcion Industrial Corporation (the “Company” or “CIC”) and its subsidiaries, Concepcion-Carrier Air Conditioning Company (“CCAC”), Concepcion Durables, Inc. (“CDI”), Concepcion-Otis Philippines, Inc. (“COPI”), Concepcion Business Services, Inc. (“CBSI”), Cortex Technologies Corporation (“CTC”), Alstra Incorporated (“Alstra”) and Teko Solutions Asia Inc. (“Teko”) (collectively, the “Group”) for the period ended March 31, 2020 and the comparative period in 2019 is attached to this 17-Q report, comparing the following:

- 1.1 Unaudited Consolidated Statements of Financial Position as at March 31, 2020 and December 31, 2019 (Annex A)
- 1.2 Unaudited Consolidated Statements of Total Comprehensive Income for the periods ended March 31, 2020 and 2019 (Annex B)
- 1.3 Unaudited Consolidated Statements of Changes in Equity for the periods ended March 31, 2020 and 2019 (Annex C)
- 1.4 Unaudited Consolidated Statements of Cash Flows for the periods ended March 31, 2020 and 2019 (Annex D)
- 1.5 Notes to Unaudited Consolidated Financial Statements as at March 31, 2020 and December 31, 2019 and for the periods ended March 31, 2020 and 2019 (Annex E)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations [(based on the Unaudited Consolidated Results for the Period Ended March 31, 2020 (Annex F)]

PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the first quarter of 2020:

Date of Report	Items Reported
20 March 2020	<p>During the special meeting of the Board of Directors of Concepcion Industrial Corporation (the “Board” and “Company”, respectively) held in the afternoon of March 20, 2020, the Board approved an amendment to its current share buyback program to provide price support for its shares and enhance share value under the following terms and conditions:</p> <ol style="list-style-type: none">1. On September 9, 2019, the Board approved the Company’s ongoing buyback program which has a term of three (3) years commencing on September 10, 2019 and ending on September 9, 2022. The Company is currently authorized to repurchase up to One Hundred Million Pesos (P100,000,000.00) worth of common shares during the first year of the program, and up to an aggregate of 11,000,000 common shares cumulatively over a three-year period, representing approximately 3% of the Company’s current common market capitalization.2. On March 20, 2020, the Board amended the terms of the share buyback program to increase the limit of the common shares that may be repurchased during the first year of the program from One Hundred Million Pesos (P100,000,000.00) to Three Hundred Million Pesos (P300,000,000.00) worth of common shares.

	<p>3. The buyback program will not involve active and widespread solicitation from stockholders in general, and will not adversely affect the Company's ability to fund any of its prospective and existing projects/investments. The Buyback program will be executed through the open market by means of the trading facilities of the Philippine Stock Exchange and implemented by the Chairman/CEO and Chief Financial Officer of the Company.</p>
<p>15 April 2020</p>	<p>During the meeting of the Board of the Company held on April 15, 2020:</p> <ol style="list-style-type: none"> 1. The Board approved the Company's audited financial statements as of and for the year ended December 31, 2019 and authorized its issuance. 2. The Board approved and confirmed the following items in connection with the Annual Meeting of the Stockholders of the Company: <ol style="list-style-type: none"> (a) The Annual Meeting of the Stockholders will be held on July 15, 2020 at 10:30 a.m. (the "Annual Meeting"). (b) The record date for the determination of the stockholders entitled to notice of, and to vote at the Annual Meeting is June 15, 2020. The stock and transfer book of the Company will not be closed. (c) The last day for filing proxies in connection with the Annual Meeting is July 1, 2020. (d) In accordance with the Company's By-Laws, the nomination for election of Directors shall be submitted to the Board at the Company's principal place of business at least thirty (30) working days before the date of the meeting or by June 1, 2020.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



MA VICTORIA A. BETITA

Chief Finance Officer

Date 15 May 2020

Concepcion Industrial Corporation and Subsidiaries

ANNEX A

Unaudited Consolidated Statements of Financial Position
As at March 31, 2020 and December 31, 2019
(All amounts in thousand Philippine Peso)

	Notes	2020	2019
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	1,873,423	1,606,096
Trade and other receivables, net	3, 16	4,074,907	4,097,896
Contract assets	4	1,567,669	989,235
Inventories, net	5	2,793,250	2,332,697
Prepayments and other current assets		111,702	187,935
Total current assets		10,420,951	9,213,859
Non-current assets			
Property and equipment, net	6	674,710	683,010
Right-of-use assets, net	7, 29	580,115	644,355
Investment property	8	40,255	40,255
Investment in associates	9	112,682	119,113
Goodwill	10	802,362	802,362
Intangible assets, net	10	197,858	201,057
Deferred income tax assets, net	11	334,589	366,487
Retirement benefit asset	22	2,952	3,276
Other non-current assets		66,659	64,012
Total non-current assets		2,812,182	2,923,927
Total assets		13,233,133	12,137,786
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	12, 16	4,847,284	3,597,688
Short-term borrowings	13	90,000	45,000
Income tax payable		166,867	82,767
Lease liability	7, 29	158,556	198,841
Provision for warranty	14	20,883	22,054
Other provisions	15	25,536	42,358
Total current liabilities		5,309,126	3,988,708
Non-current liabilities			
Lease liability	7, 29	415,606	438,707
Retirement benefit obligation	22	439,573	429,720
Provision for warranty	14	14,355	13,365
Total non-current liabilities		869,534	881,792
Total liabilities		6,178,660	4,870,500
Equity			
Attributable to owners of the Parent			
Company			
Share capital	23, 27	407,264	407,264
Share premium	23, 27	993,243	993,243
Treasury shares	23, 27	(146,528)	(146,528)
Retained earnings	23, 27, 29	4,132,670	4,063,053
Other comprehensive loss	22	(87,105)	(87,105)
		5,299,544	5,229,927
Non-controlling interest	23, 27, 29	1,754,929	2,037,359
Total equity		7,054,473	7,267,286
Total liabilities and equity		13,233,133	12,137,786

The notes on pages 1 to 42 are integral part of these unaudited consolidated financial statements.

ANNEX B**Concepcion Industrial Corporation and Subsidiaries**

Unaudited Consolidated Statements of Total Comprehensive Income
For the periods ended March 31, 2020 and 2019
(All amounts in thousand Philippine Peso, except earnings per share)

		For the three months ended	
	Notes	2020	2019
Net sale of goods	17, 26	2,256,966	2,929,048
Sale of services	17, 26	477,886	373,627
Net sales	17, 26	2,734,852	3,302,675
Cost of sales and services	18, 26	(1,748,668)	(2,090,436)
Gross profit		986,184	1,212,239
Operating expenses	19, 26	(773,248)	(790,159)
Other operating income, net	20	2,429	11,960
Operating income		215,365	434,040
Interest expense	7, 13	(6,086)	(4,166)
Income before share in net income (loss) of associates and income tax		209,279	429,874
Share in net income (loss) of associates	9	(6,431)	328
Income before provision for income tax		202,848	430,202
Provision for income tax	11	(73,981)	(139,235)
Net income for the period	26	128,867	290,967
Other comprehensive income		-	-
Total comprehensive income for the period	26	128,867	290,967
Net income attributable to:			
Owners of the Parent Company	24	69,617	186,670
Non-controlling interest	23	59,250	104,297
	26	128,867	290,967
Total comprehensive income attributable to:			
Owners of the Parent Company	24	69,617	186,670
Non-controlling interest	23	59,250	104,297
	26	128,867	290,967
Earnings per share – basic and diluted	24	0.17	0.46

The notes on pages 1 to 42 are integral part of these unaudited consolidated financial statements.

ANNEX C

Concepcion Industrial Corporation and Subsidiaries

Unaudited Consolidated Statements of Changes in Equity
For the periods ended March 31, 2020 and 2019
(All amounts in thousand Philippine Peso)

	Attributable to owners of the Parent Company					Non- controlling interest	Total
	Share capital	Share premium	Treasury Shares	Retained earnings	Other comprehensive loss		
Balances as at December 31, 2018	407,264	993,243	(73,759)	3,605,823	(46,341)	1,855,884	6,742,114
Comprehensive income							
Net income for the period	-	-	-	186,670	-	104,297	290,967
Total comprehensive income for the period	-	-	-	186,670	-	104,297	290,967
Transaction with owners							
Cash dividends declared	-	-	-	-	-	(261,700)	(261,700)
Total transactions with owners	-	-	-	-	-	(261,700)	(261,700)
Balances as at March 31, 2019	407,264	993,243	(73,759)	3,792,493	(46,341)	1,698,481	6,771,381
Balances as at December 31, 2019	407,264	993,243	(146,528)	4,063,053	(87,105)	2,037,359	7,267,286
Comprehensive income							
Net income for the period	-	-	-	69,617	-	59,250	128,867
Total comprehensive income for the period	-	-	-	69,617	-	59,250	128,867
Transaction with owners							
Cash dividends declared	-	-	-	-	-	(341,680)	(341,680)
Treasury Shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-	(341,680)	(341,680)
Balances as at March 31, 2020	407,264	993,243	(146,528)	4,132,670	(87,105)	1,754,929	7,054,473

The notes on pages 1 to 42 are integral part of these unaudited consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Unaudited Consolidated Statements of Cash Flows
 For the periods ended March 31, 2020 and 2019
 (All amounts in thousand Philippine Peso)

	2020	2019
Cash flows from operating activities		
Income before income tax	202,848	430,202
Adjustments for:		
Provisions for (reversals of):		
Volume rebates, trade discounts and other incentives	70,469	209,222
Warranty cost	19,089	27,203
Commission	(4,603)	(4,020)
Contingencies	3,591	3,000
Impairment of receivables	1,253	4,582
Inventory obsolescence	271	(761)
Dividend income received	854,200	-
Amortization of right-of-use assets	58,517	-
Depreciation of property and equipment	34,924	26,835
Unrealized foreign exchange losses, net	(15,872)	(4,851)
Retirement benefit expense	11,845	19,562
Amortization of intangible assets	7,031	6,028
Share in net (income) loss of associates	6,431	(328)
Interest expense	4,835	4,166
Interest income on bank deposits and short-term placements	(2,846)	(4,199)
Gain on sale in property and equipment	-	(357)
Operating income before working capital changes	1,251,981	716,284
Changes in:		
Trade and other receivables	149,132	45,826
Inventories	(467,763)	(607,684)
Prepayments and other current assets	(67,597)	(64,242)
Other non-current assets	14,225	(14,578)
Trade payables and other liabilities	(235,689)	311,917
Cash generated from operations	644,288	387,523
Payment of provision for warranty cost	(19,270)	(23,990)
Payment of other provisions	(14,379)	(13,868)
Retirement benefits paid/contributions	(8,545)	-
Interest received on bank deposits	3,016	425
Net cash provided by (used in) operating activities	605,109	350,090
Cash flows from investing activities		
Additions to property and equipment	(24,052)	(92,079)
Additions to intangibles	(3,832)	(1,066)
Interest received from short-term placements	2,350	3,756
Proceeds from disposal of property and equipment	-	400
Net cash used in investing activities	(25,534)	(88,989)
Cash flows from financing activities		
Cash distribution of profits	(341,680)	-
Payments of principal portion of lease liability	36,341	-
Interest paid on lease liability	(6,743)	-
Interest paid on short-term borrowings	(106)	(3,216)
Payment of short-term borrowings	-	(275,000)
Net cash used in financing activities	(312,188)	(278,216)
Net decrease in cash and cash equivalents	267,387	(17,115)
Cash and cash equivalents at beginning of period	1,606,096	1,325,419
Effects of foreign exchange rate changes on cash and cash equivalents	(60)	(445)
Cash and cash equivalents at end of the period	1,873,423	1,307,859

The notes on pages 1 to 42 are integral part of these unaudited consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Unaudited Consolidated Financial Statements
As at March 31, 2020 and December 31, 2019 and for
the periods ended March 31, 2020 and 2019
(All amounts in thousand Philippine Peso, except number of shares,
per share amounts and unless otherwise stated)

Note 1 - General information**1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC), formerly Concepcion Airconditioning Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997. [Refer to Annex F for the details of the business of the Parent Company, its subsidiaries and associate.]

The Parent Company and its subsidiaries are herein collectively referred as the “Group”.

The Parent Company’s primary shareholders are Foresight Realty & Development Corp. (formerly Concepcion Holdings, Inc.), Hyland Realty & Development Corp., and Horizons Realty Inc., entities registered and doing business in the Philippines, which have equally divided equity over the Parent Company. These companies are beneficially owned by Filipino individuals.

The Parent Company’s registered office address, which is also its principal place of business, is located at 308 Sen. Gil Puyat Avenue, Makati City.

1.2 Significant business developments

In 2016, the Parent Company subscribed and paid P60 million for half of 120 million common shares of Concepcion Business Services, Inc. (CBSI) which gave the Parent Company 100% controlling interest over CBSI. CBSI was organized primarily to render various corporate back-office support services including but not limited to bookkeeping, accounting, business consultancy, governance, risk management and assurance, financial planning, reporting and analytics, human resources, and information technology services, directly or through duly licensed service providers and/or professionals, where necessary, exclusively for the Parent Company, its subsidiaries, affiliates and/or related companies, and which will not involve the practice of any licensed profession. On November 21, 2017, the Parent Company subscribed and paid in full the remaining half or 60 million shares of CBSI amounting to P60 million.

On June 19, 2017, the Parent Company subscribed and paid P40 million for half of 80 million common shares of Cortex Technologies Corporation (CTC) for 100% controlling interest over CTC. CTC was organized primarily to undertake research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other products; to design, create, build, test, customize, upgrade, manufacture and sell prototypes and finished products; to process, analyze and share data gathered from such products, websites and applications, and provide business intelligence, to customers and other parties, to charge commissions for in-app purchases; to render and support project management and information technology services; and to enter into partnerships, joint ventures or other business relationships with individuals or entities to undertake the mentioned activities. On March 28, 2018, the Parent Company subscribed and paid in full the remaining half or 40 million shares of CTC amounting to P40 million that was payable as at December 31, 2017.

On April 6, 2018, the Board of Directors (BOD) and stockholders of Concepcion Durables Inc. (CDI) approved the increase in authorized share capital from 5,000 shares amounting to P500 million to 6,780 shares amounting to P678 million. The application for increase in authorized share capital was filed with SEC on December 14, 2018. Relative to the foregoing, the deposits for future share

subscription received from the Parent Company on June 20, 2018 amounting to P178 million was classified as a component of equity in CDI's financial statement as at December 31, 2018. On April 2, 2019, the SEC approved CDI's application for increase in authorized share capital to P6.78 million shares at P100 par value per share. Consequently, the corresponding shares related to Parent Company's deposit for future share subscription amounting to P178 million were issued to the Parent Company.

On July 11, 2018, the CTC's BOD approved the increase in authorized share capital of CTC from 80 million shares amounting to P80 million to 200 shares amounting to P200 million, to fund potential partnership and business ventures. The application for increase in authorized share capital was filed with SEC on November 14, 2018. Consequently, the deposit for future share subscription from the Parent Company amounting to P60 million, that was received in two equal installments of P30 million on November 23 and December 23, 2018, was classified as a component of equity in CTC's stand-alone financial statement as at December 31, 2018. On January 31, 2019, the SEC approved CTC's application for increase in authorized share capital to P200 million shares at P1 par value per share. Consequently, the corresponding shares relating to the Parent Company's deposit for future stock subscription amounting to P60 million were issued to the Parent Company.

On October 15, 2018, SEC approved the incorporation of Alstra Incorporated (Alstra) where the Parent Company subscribed 500 million common shares amounting to P125 million, representing 100% ownership of Alstra's issued and outstanding shares. Alstra was organized to engage in the business of consultancy, construction, design and engineering and supply of equipment for mechanical, electrical, plumbing and fire protection services, and to engage in the business of facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services. On July 23, 2019 the SEC approved the reclassification of 50,000,000 unissued shares of common stock to preferred stock and the corresponding amendment of the Articles of Incorporation. Subsequently, Alstra issued to its Parent Company, preferred shares at a premium over par value at P20 per share for a total subscription price of P915,450,000.

On October 31, 2018, CTC entered into a stock purchase and shareholders agreement (SPSA) for the purchase of 30% of the issued and outstanding shares of Teko Solutions Asia Inc. (Teko) equivalent to 6,000 shares for P19.9 million. The purchase of 30% interest was made on November 27, 2018. The SPSA also provides that additional 21% interest will be subscribed by CTC on November 27, 2018 to increase its total ownership to 51% upon completion of certain provisions in the SPSA. The actual issuance of additional 8,572 shares of Teko equivalent to 21% interest happened on January 17, 2019. Refer to Notes 7 and 8 for the details of the acquisition.

As at December 31, 2018, Teko was considered as a subsidiary of the Parent Company as a result of the latter's significant representation in Teko's BOD, representing control over Teko's operations as at reporting date. Teko was incorporated and registered with the Philippine SEC on September 5, 2017. Teko's primary business is providing information technology solutions, I.T. enabled services, e-commerce, web design, and applications, to enterprise, consumers, businesses, institutions and other end-users without engaging in mass media, advertising nor in telecommunication activities.

In the first quarter of 2019, CTC subscribed and paid 21,250 of Teko's preferred shares amounting to P2,125.

On April 25, 2019, SEC approved the incorporation of Tenex Services, Inc. (Tenex) where Alstra subscribed 6,125,000 common shares at P1 per share, representing 49% ownership of Tenex's issued and outstanding shares. Tenex was organized to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, and such other activities related thereto, such as construction and mechanical maintenance services.

On August 28, 2019, the BOD of Alstra authorized the acquisition of 73,950 shares of stock, which represents 51% of the issues and outstanding capital stock, of Concepcion-Otis Philippines, Inc. (COPI) from CCAC. COPI is a joint venture between CCAC and United Technologies International Corporation Asia PVT LTD. (UTICA). On August 30, 2019, the BOD of CCAC authorized the sale and transfer of all its shares of stock in COPI to Alstra and Otis Elevator Company (Philippines), Inc. (OECPI) for a total selling price of P1,526 million. The selling price is based on the equity value of COPI of P1,795 million as determined by an independent appraiser. All taxes related to the transaction will be for the account of CCAC.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at March 31, 2020 and December 31, 2019 consist of:

	2020	2019
Cash on hand	65	65
Cash in banks	972,855	720,627
Short-term placements	900,503	885,404
	1,873,423	1,606,096

Cash in banks and short-term placements are made with universal banks and commercial banks amounting to P1,456,507 and P416,851, respectively (2019 - P788,095 and P817,936, respectively), which earn interest at the prevailing bank deposit rates.

Short-term placements are made for varying periods of up to five (5) months, depending on the immediate cash requirements of the Group, and earn interest at rates ranging from 0.375% to 3%.

The carrying values of cash and cash equivalents represent the maximum exposure to credit risk other than cash on hand.

Note 3 - Trade and other receivables, net

Trade and other receivables as at March 31, 2020 and December 31, 2019 consist of:

	2020	2019
Trade receivables		
Third Parties	4,088,991	4,237,573
Related parties	3,095	2,558
Provision for volume rebates, trade discounts and other incentives	(281,379)	(308,965)
Provision for impairment of receivables	(88,084)	(95,316)
Net trade receivables	3,722,623	3,835,850
Advances to employees	43,460	32,948
Rental deposit	13,595	4,324
Related parties	52,016	75,442
Claims from suppliers	31,747	43,114
Others	211,466	106,218
	4,074,907	4,097,896

The aging of trade receivables as at March 31, 2020 and December 31, 2019, including data on past due but not impaired and impaired accounts are as follows:

Age classification	Total	Current and not past due	Past due but not impaired	Impaired
2020				
Current	2,203,545	2,203,545	-	-
Past due:	-	-	-	-
Up to 6 months	1,726,503	-	1,726,503	-
6 to 12 months	68,331	-	62,143	6,187
Over 12 months	93,707	-	15	93,693
	4,092,086	2,203,545	1,788,661	99,880
2019				
Current	2,341,798	2,341,798	-	-
Past due:	-	-	-	-
Up to 6 months	1,245,802	-	1,245,802	-
6 to 12 months	572,742	-	572,742	-
Over 12 months	79,789	-	-	79,789
	4,240,131	2,341,798	1,818,544	79,789

As at March 31, 2020, trade receivables amounting to P99,880 (December 31, 2019 – P79,789) were determined to be impaired and fully provided through a valuation account based on company credit policy.

As at March 31, 2020, trade receivables amounting to P1,788,661 (December 31, 2019 – P1,818,544) were past due but considered not impaired. Most of these receivables relate to a number of independent customers for whom the collection is highly probable based on cumulative experience or history of payments.

As at March 31, 2020, trade receivables that are neither past due nor impaired amounting to P2,203,545 (December 31, 2019 – P2,341,798) are current based on aging and normally pertain to customers who have high credit rating based on determined financial position and collection history.

Provisions

The Group applies Philippine Financial Reporting Standards (PFRS) 9 simplified approach in measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The provision for impairment of receivable currently being reported is regularly assessed and compared with the provision calculated following the ECL model. Any material difference will be recognized as an adjustment accordingly.

Advances to employees are realized through salary deductions. Rental deposits are expected to be applied to future lease obligations. All these accounts and other receivables do not contain impaired assets and are not past due.

The maximum exposure to credit risk as at the reporting date pertains to the respective carrying values of trade receivables, other receivables and due from related parties as at reporting date.

Note 4 - Contract assets

As at March 31, 2020, contract assets pertain to value of percentage of completion contracts amounting to P1,821,610 less allowance amounting to P347 and contract billings amounting to P253,594. Value of contract assets in the current period increased was driven by equipment installation projects as compared to prior period.

Note 5 - Inventories, net

Inventories as at March 31, 2020 and December 31, 2019 consist of:

	2020	2019
At cost		
Raw materials	1,104,836	1,008,372
Finished goods	1,332,032	1,210,302
Work in process	33,849	3,620
Inventories-in-transit	283,866	68,674
Spare-parts and supplies used in business	94,564	97,360
	2,849,147	2,388,328
Provision for inventory obsolescence	(55,897)	(55,631)
	2,793,250	2,332,697

For the periods ended March 31, 2020 and 2019, the cost of inventory recognized as expense and included in cost of sales and services (Note 18) amounted to P1,585,888 (2019 – P1,926,960).

Note 6 - Property and equipment, net

As at March 31, 2020, net additions to property and equipment amounted to P26,635 consisting of machineries and equipment, office equipment, and leasehold improvements (December 31, 2019 – P229,474). For the period ended March 31, 2020, net depreciation and amortization amounted to P36,749 (2019 – P26,853).

As at March 31, 2020 total cost of fully depreciated property and equipment of the Group amounted to P1,092,447 (December 31, 2019 – P1,126,620).

Note 7 – Right-of-use (ROU) assets

ROU assets are composed of office, warehouse, vehicle and other leased assets. As at March 31, 2020, total cost and accumulated amortization of ROU assets amounted to P986,061 and P405,946, respectively. For the period ended March 31, 2020, total amortization expense charged to cost of sales and services and operating expenses amounted to P11,371 and P44,274, respectively.

As at March 31, 2020, total lease liabilities amounted to P574,162, while for period ended March 31, 2019, total interest expense charged to finance cost amounted to P4,994.

Note 8 - Investment property

As at March 31, 2020 and December 31, 2019, the Parent Company's investment property consists of parcel of land that it acquired in Davao City, which is held for capital appreciation and/or future expansion.

As at March 31, 2020, the Parent Company paid a total of P2,735 to a sub-contractor for direct costs related to planned construction of the investment property booked as construction in progress (CIP) under the investment property account. The total payment for the period ended March 31, 2020 is nil (2019 - P1,188).

The estimated fair value approximates the carrying value of the investment property as at March 31, 2020 and December 31, 2019, based on the last known selling price per square meter.

There was no income earned related to the property for the periods ended March 31, 2020 and 2019. Further, P54 direct operating expense for the investment property was incurred for the period ended March 31, 2020 (2019 – P68).

Note 9 - Investments in associates

The Parent Company has a subscription agreement with Concepcion Midea, Inc. (CMI), whereby the former subscribes from the increase in the authorized share capital of the latter. CMI is a Philippine entity engaged in the business of the manufacture, sale, distribution, marketing, installation and service of electronic appliance products. As at March 31, 2020 and December 31, 2019, the Parent Company and CCAC had a total of 110 million and 150 million shares equivalent to 22% and 30% interests in CMI, respectively, making up for the Group's 40% effective interest. CMI was classified as an associate (Note 16).

On March 29, 2019, Alstra subscribed to 6,125,000 shares at P1 per share which is equivalent to 49% ownership of Tenex. Tenex is primarily engaged to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, and such other activities related thereto, such as construction and mechanical maintenance services. On December 9, 2019, the Company issued a deposit a deposit for additional subscription of 8,575,000 shares of Tenex amounting to P8,575,000. Subsequent issuance of the additional shares will not change the Company's ownership at 49%.

Details of the movement in investment in associates for the period ended March 31, 2020 and for the year ended December 31, 2019 follow:

	2020	2019
At cost, beginning	266,125	260,000
Addition	-	6,125
At cost, ending	266,125	266,125
Cumulative share in total comprehensive loss, beginning	(147,012)	(178,891)
Share in net income (loss)	(6,431)	30,638
Share in other comprehensive loss for the period	-	571
Direct charges to OCI attributable to NCI	-	670
Cumulative share in total comprehensive loss, ending	(153,443)	(147,012)
	112,682	119,113

Note 10 - Goodwill and intangible assets, net

10.1 Goodwill

Goodwill is the excess of consideration over proportionate share in fair value of net assets which resulted from the Parent Company's acquisition of COPI in 2014. The Group applied the proportionate interest approach to account for the business combination. The goodwill of P783,983 arising from the acquisition is attributable to an established brand and customer and product base.

In 2019, the Group finalized the Purchase Price Allocation relevant to its acquisition of Teko in 2018. The goodwill of P18,379 arising from the acquisition is attributable to computer software.

Impairment test for goodwill

Discounted cash flow (DCF) was used as base for estimating the fair market value of COPI as of December 31, 2019. The Group did not recognize impairment loss for the year ended December 31, 2019 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU).

10.2 Intangible assets, net

Details and movements of intangible assets account as at March 31, 2020 and December 31, 2019 are shown below:

	Customer relationship	Customer backlogs	Computer Software	Total
Cost				
At January 1, 2020	187,113	13,883	94,467	295,463
Additions	-	-	3,832	3,832
At March 31, 2020	187,113	13,883	98,299	299,295
Accumulated amortization				
At January 1, 2020	45,940	13,883	34,583	94,406
Amortization	1,871	-	5,160	7,031
At March 31, 2020	47,811	13,883	39,743	101,437
Net book values as at March 31, 2020	139,302	-	58,556	197,858
Cost				
At January 1, 2019	187,113	13,883	82,766	283,762
Additions	-	-	11,701	11,701
At December 31, 2019	187,113	13,883	94,467	295,463
Accumulated amortization				
At January 1, 2019	38,456	13,883	15,037	67,376
Amortization	7,484	-	19,546	27,030
At December 31, 2019	45,940	13,883	34,583	94,406
Net book values as at December 31, 2019	141,173	-	59,884	201,057

Note 11 - Deferred income tax assets, net

Deferred income tax assets to be recovered within 12 months amounting to P292,732 which include among others temporary differences from provision for volume rebates, trade discounts and other incentives, accrued employee-related costs, and provision for impairment of receivables. Net deferred income tax assets to be recovered after 12 months amounting to P86,655 include temporary differences related to retirement benefits. On another hand, deferred income tax liabilities amounting to P43,066 are mostly to be settled after 12 months and mostly pertaining to intangible assets.

Details of provision for income tax for the periods ended March 31 follow:

	2020	2019
Current	50,226	126,903
Deferred	23,755	12,332
	73,981	139,235

Note 12 - Trade payables and other liabilities

Trade payables and other liabilities as at March 31, 2020 and December 31, 2019 consists of:

	2020	2019
Trade payables		
Third parties	1,279,671	1,013,178
Related parties	395,497	318,043
	1,675,168	1,331,221
Accrued expenses		
Project costs	437,926	541,791
Benefits of directors, officers and employees	163,541	339,606
Outside services	153,818	151,692
Advertising and promotion	27,884	32,231
Installation and cleaning costs	45,992	42,669
Freight	25,613	69,629
Importation costs	45,976	37,392
Professional fees	25,960	14,894
Rental and utilities	59,279	29,961
Commission	(2,445)	41,737
Transportation and travel	7,508	1,457
Repairs and maintenance	10,526	1,907
Others	64,024	78,981
	1,065,602	1,383,947
Other liabilities		
Related parties	366,235	20,102
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	1,221,032	173,282
Advances on sales contract	223,877	286,742
Output value-added tax (VAT), net of input VAT	76,734	45,208
Withholding taxes and other mandatory government remittances	52,318	141,354
Other payables	166,318	215,832
	2,106,514	882,520
	4,847,284	3,597,688

Project costs represent costs of HVAC related projects incurred but not yet billed as at reporting date.

As at March 31, 2020, billings in excess of costs incurred and estimated earnings on uncompleted contracts represent the excess of contract billings of elevators/escalators related projects amounting to P105,653,569 (December 31, 2019 – P690,876) over the cumulative costs incurred and margin amounting to P104,432,537 and P1,221,032 (December 31, 2019 – P517,594 and P173,282), respectively.

Note 13 - Short-term borrowings

Movements of short-term borrowings as at March 31, 2020 and December 31, 2019 are as follows:

	2020	2019
Beginning	45,000	425,000
Availments	45,000	115,000
Settlement	-	(495,000)
Ending	90,000	45,000

In 2019, CTC availed an unsecured interest-bearing bank loan amounting to P45 million at an interest rate of 5.875%.

In January and February 2020, CTC availed an unsecured interest-bearing bank loan amounting to P25 million and P20 million at interest rates of 5.75% and 5.525%, respectively.

Interest expenses on borrowings charged to operations for the periods ended March 31, 2020 and 2019 amounted to P1,091 (2019 - 4,166).

Note 14 - Provision for warranty

For the period ended March 31, 2020 and 2019, provisions for warranty costs were recognized as part of operating expenses (Note 19) amounting to P19,592 (2019 - P26,885).

Note 15 - Other provisions

Details of other provisions as at March 31, 2020 and December 31, 2019 consist of:

	2020	2019
Contingencies	14,468	12,307
Commission	11,068	30,051
	25,536	42,358

Movements in provision for contingencies follow:

	2020	2019
Beginning	12,307	16,100
Provisions	2,161	4,844
Payments	-	(8,637)
Ending	14,468	12,307

Movements in provision for commission follow:

	2020	2019
Beginning	30,051	31,457
Provisions	(4,603)	44,873
Payments	(14,380)	(46,279)
Ending	11,068	30,051

Provision for commission was recorded under personnel cost in operating expenses.

Provision for commission is expected to be settled within twelve (12) months after the reporting date and payment is dependent on whether sales targets are met or exceeded.

Note 16 - Related party transactions

In the normal course of business, the Group transacts with related parties. The following are the balances and significant transactions with related parties as of and for the period ended March 31, 2020 and for the year ended December 31, 2019.

	2020		2019		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Shareholders					
Rent and utilities	23,755	(705)	52,292	(3)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Lease of warehouse	-	-	53,364	-	
Dividend declaration	-	-	486,606	-	Refer to Note 23.
Advances from shareholders	-	(1,157)	-	(1,157)	Refers to the contingency fund of shareholders being reduced by actual PDTC charges being paid by the Parent Company on their behalf.
Associate					
Administrative services	-	-	19,115	1,593	Outstanding receivables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Transfer of employees	-	(8,447)	706	(8,578)	Future retirement benefits due to the employee transferred up to date of transfer will be paid by the former employer. The balance is payable in cash, non-interest bearing and unsecured in nature.
Transfer of employees	-	149	1	1,781	
Purchase of goods, net of return	15,001	(1,301)	223	(20)	Outstanding payables are due within 30 to 90 days from transaction date. These are payable in cash, non-interest bearing and unsecured in nature. These receivables are unsecured and non-interest bearing.
Sale of goods	-	3,083	232	2,558	The outstanding receivables (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale.
Advances to associate	32,471	51,867	83,039	44,647	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Advances from associate	290	(671)	2,653	(210)	
Entities under common control					
Rent and utilities	-	-	34,372	1	Receivables are collectible in cash within 30 to 60 days from billing date. These receivables are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Entities with common shareholders					
Sale of goods	-	11	24	-	The outstanding balance (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale.
Commission income			32,895	27,419	Receivables are collectible in cash within 30 to 60 days from billing date. These receivables are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Dividend declaration	341,680	(341,680)	895,560	-	Refer to Note 23.
Purchases, net purchase returns	247,060	(385,530)	2,511,901	(318,022)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured (Note 12).
Collections (Payments) in behalf of a related party	-	(9,541)	54,260	(2,105)	

	2020		2019		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Royalty/Technical fee	4,229	(12,701)	56,160	(8,049)	Payable in cash within 60 days unsecured and bears no interest. Refer to Note 18 to 19.
Key management personnel					
Directors fees	-	-	3,943	(3,943)	
Salaries and wages	128,365	(4,535)	459,369	(105,307)	
Retirement benefit	896	(66,104)	13,462	(61,662)	Refer to Note 22.

There were no provisions recognized in relation to receivables from related parties. Balances due are settled/collected at gross.

Note 17 - Net sales and services

Details of net sales and services for the periods ended March 31 are as follows:

	2020	2019
Gross sales		
Sale of goods	2,486,842	3,214,497
Sale of services	477,886	373,627
	2,964,728	3,588,124
Deductions		
Trade and volume discounts	(138,884)	(217,963)
Sales returns	(90,992)	(67,486)
	(229,876)	(285,449)
Net sales and services	2,734,852	3,302,675

Note 18 - Cost of sales and services

Details of cost of sales and services for the periods ended March 31 are as follows:

	2020	2019
Raw materials used	1,168,797	1,558,384
Labor	49,941	57,716
Overhead	171,931	159,853
Total manufacturing cost	1,390,669	1,775,953
Work-in-process, beginning	3,620	50,484
Work-in-process, ending	(33,849)	(42,858)
Cost of goods manufactured	1,360,440	1,783,579
Finished goods inventory, beginning	1,210,302	1,168,691
Gross purchases - trading	347,203	500,094
Finished goods available for sale	2,917,945	3,452,364
Finished goods inventory, ending	(1,332,040)	(1,526,007)
Total cost of sales	1,585,905	1,926,357
Cost of services	162,763	164,079
	1,748,668	2,090,436

Details of overhead for the periods ended March 31 are as follows:

	2020	2019
Indirect labor	75,855	60,599
Rent and utilities	13,825	27,361
Depreciation of property and equipment	18,813	15,829
Outside services and professional fees	17,574	16,432
Repairs and maintenance	13,525	13,642
Taxes and licenses	14,191	11,129
Inbound storage	1,586	4,124
Travel and transportation	3,481	3,121
Amortization of ROU assets	9,493	-
Insurance	1,819	1,646
Amortization of intangible assets	496	496
Others	1,273	5,476
	171,931	159,853

Details of cost of services for the periods ended March 31 are as follows:

	2020	2019
Materials and labor	121,351	125,557
Employee costs	23,538	23,435
Royalty/technical fees	7,357	6,137
Amortization of ROU assets	1,878	-
Rent and utilities	2,585	3,977
Depreciation of property and equipment	1,050	1,097
Outside services	1,929	888
Taxes and licenses	1,203	1,047
Transportation and travel	991	730
Supplies	119	202
Insurance	139	82
Repairs and maintenance	75	39
Others	548	906
	162,763	164,079

Note 19 - Operating expenses

Details of operating expenses for the periods ended March 31 are as follows:

	2020	2019
Employee costs	304,039	296,735
Outside services and professional fees	170,543	178,378
Outbound freight	77,572	75,420
Amortization expense of ROU assets	44,274	-
Advertising and promotion	17,764	48,575
Warranty cost	19,597	26,885
Taxes and licenses	13,510	15,718
Rent and utilities	25,663	68,608
Transportation and travel	12,130	13,959
Depreciation of property and equipment	15,009	9,927
Royalty/technical fees	6,607	8,860
Amortization of intangible assets	4,367	5,532
Repairs and maintenance	2,663	3,134
Supplies	1,911	2,380
Provision for impairment of receivables	4,583	4,596
Insurance	1,982	1,560
Registration	1,233	1,750
Provision for inventory obsolescence	271	(761)
Others	49,530	28,903
	773,248	790,159

Note 20 - Other operating income, net

Details of net operating income, net for the periods ended March 31 are as follows:

	2020	2019
Interest income	5,349	4,200
Loss on foreign exchange forward contracts	(2,375)	(7,671)
Foreign exchange gains, net	1,791	12,870
Commission income	(427)	-
Gain on disposal of property and equipment	-	357
Miscellaneous	(1,909)	2,204
	2,429	11,960

Note 21 - Leases and other agreements

21.1 Leases

- 21.1.1 CCAC has a three-year lease agreement with Concepcion Industries, Inc., an entity under common control to CCAC, expiring on December 31, 2018 for the lease of its factory located in the Light Industry Science Park, Cabuyao, Laguna to the Partnership. Subject to further renewal or extension on the same terms and conditions as may be agreed upon by the parties. The lease was renewed for another three years up to December 31, 2021.
- 21.1.2 CCAC has a three-year lease contract from January 1, 2017 to December 31, 2019 with LSL Realty Development Corporation, for the lease of warehouse space located in the Light Industry Science Park, Cabuyao Laguna, subject to negotiation upon renewal. The lease was renewed for another three years up to December 31, 2022.
- 21.1.3 CCAC leases an office space in Muntinlupa City and a warehouse space in Cabuyao owned by Foresight Realty and Development Corporation, an entity under common control to CCAC. The contracts are renewable upon mutual agreement of the parties which will expire in August 2022.
- 21.1.4 CCAC and CBSI leases an office and parking space, respectively, in Muntinlupa City from Foresight Realty & Development Corp., a shareholder, for a period of five (5) years from August 2017 to July 2022. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.
- 21.1.5 CDI leases warehouse space in Cabuyao from Hyland Realty & Dev't. Corp., an entity under common control, for a period of five (5) years commencing on November 3, 2016 and ending on November 2, 2021, subject to renewal or extension on such terms and conditions as may be agreed upon by the parties.
- 21.1.6 Both CCAC and CDI have agreements with various lessors covering office space for its regional offices. Such agreements have terms ranging from one (1) to five (5) years under terms and conditions as agreed with the lessors.
- 21.1.7 COPI has various lease agreements covering offices, warehouses and vehicles under non-cancellable operating leases expiring within 3 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Rental deposits required for these lease agreements are included in either trade and other receivables and deposits and other non-current assets account in the consolidated statements of financial position.

21.2 Trademark and other agreements

21.2.1 Kelvinator Trademark

CCAC and CDI have separate trademark agreements with Kelvinator International Partnership, a division of Electrolux Home Products, Inc. (a Partnership incorporated in the U.S.A.) for the license to use the “Kelvinator” trademark as specified in the agreement for its window type room air conditioners. In consideration thereof, CCAC and CDI are required to pay a trademark fee of 2% of the net selling price of the trademarked products subject to a minimum annual fee of 1.5% of targeted net sales and actual inspection fees. The agreements remain effective unless terminated by both parties.

Royalty/technical fees for the above agreements charged to operating expenses for the period ended March 31, 2020 amounted to P2,378 (2019 - P3,300) (Note 19).

21.2.2 Royalty/Technical Service Agreement with Carrier Corporation

CCAC has an existing technical service agreement with Carrier Corporation (Carrier), a related party of one of the owners of CCAC, which is co-terminus with the joint venture agreement between Carrier and CCAC. The agreement provides that CCAC will pay royalty fees equivalent to a specified percentage of the net sales depending on the product type, in exchange for non-exclusive and non-transferable rights to make use of technical data, process and assistance to be provided by Carrier Corporation in the manufacture of its products. The agreement remains effective unless terminated by both parties.

Royalty/technical fees for the above agreements charged to operating expenses for the period ended March 31, 2020 amounted to P4,229 (2019 – P5,560) (Note 19).

21.2.3 Trademark and Trade Name License Agreement and Technical Assistance Agreements and License to Use Technical Data, Know-how and Patents Agreement with Otis U.S.A.

COPI has existing Technical Assistance Agreements and License to Use Technical Data, Know-how and Patents Agreement effective September 15, 2003 with Otis U.S.A., a related party, for the latter to provide technical data and know-how to improve the technical knowledge of COPI’s personnel and to further impart and transfer technical data and provide technical service to COPI. In consideration thereof, COPI is required to pay, in addition to the costs incurred by Otis U.S.A. in providing the training, a royalty fee equivalent to 3.5% of the net billings of COPI.

COPI also has a Trademark and Trade Name License Agreement effective September 15, 2003 with Otis U.S.A. which grants the Company a non-exclusive right and license to market and sell Otis products and to perform service under the licensed marks. As partial consideration of the rights and licenses granted, COPI shall pay Otis U.S.A. a royalty fee as provided in the Technical Assistance Agreement mentioned above. The agreement remains effective unless terminated by both parties.

Technical fees for the above agreements charged to cost of services for the period ended March 31, 2020 amounted to P7,357 (2019 – P6,137) (Note 18).

21.2.4 Assignment Agreement with OECPI

COPI has an outstanding payable to OECPI as at March 31, 2020 and December 31, 2019 amounting to P4,331 which is included under payable to related parties under trade payables and other liabilities (Notes 12 and 16). The payable resulted from transactions subsequent to an Assignment Agreement executed by and between OECPI, as the assignor, and COPI, as the assignee, for the conveyance, transfer assignment and delivery of all the OECPI’s assets, liabilities and contracts to COPI as set out in the agreement.

Note 22 - Retirement plan

22.1 CIC

CIC has an established retirement plan which is a non-contributory and of the defined benefit type which provides retirement benefits ranging from twenty percent (20%) to one hundred twenty-five

percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan. This retirement plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CIC were absorbed from CCAC.

22.2 CCAC

CCAC has an established funded, trustee and non-contributory and of the defined benefit type retirement plan covering all its regular employees. The retirement plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 15 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

The Retirement Plan Trustee, as appointed by CCAC in the Trust Agreement executed between CCAC and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek and advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

There are no unusual or significant risks to which the Plan exposes CCAC. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from CCAC to the Retirement Fund.

In accordance with the provisions of Bureau of Internal Revenue (BIR) Regulation No. 1-68, it is required that the Retirement Plan be trustee; that there must be no discrimination in benefits that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or divided to, any purpose other than for the exclusive benefit of the Plan members. CCAC is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the CCAC's discretion.

22.3 CDI; Alstra; Teko

The entities have not yet established a formal retirement plan for its employees but provides for estimated retirement benefits required under Republic Act (RA) No. 7641 (Retirement Law). RA 7641 provides that all employees between ages 60 to 65 with at least 5 years of service with the entities who may opt to retire are entitled to benefits equivalent to one-half month salary for every year of service, a fraction of at least six (6) months being considered as one whole year. The term one-half month shall mean fifteen (15) days plus one-twelfth (1/12) of the 13th month and the cash equivalent of not more than five (5) days of service incentive leaves.

22.4 COPI

COPI has a funded, non-contributory defined benefit plan which provides a retirement benefit up to one month final basic salary for every year of credited service or the sum credited to the member's account at the time of retirement. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. The retirement and disability benefits of its qualified employees and it is being administered by a trustee bank. The normal retirement age is 60 and optional retirement date is at age 45 or completion of at least 25 years of service.

22.5 CBSI

CBSI has a non-contributory defined benefit plan which provides a retirement benefit ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. This plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CBSI were absorbed from CCAC.

22.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to one hundred twenty-five percent (125%) of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. The retirement obligation of each entity in the Group is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2019.

CCAC's pension benefit fund is administered by a local trustee bank which is governed by the rules and regulations of the Bangko Sentral ng Pilipinas and the SEC. Based on the trust fund agreement, it is authorized to invest the fund as it deems proper. Its investment strategy focuses principally on stringent management of downside risks rather than on maximizing absolute returns. It is anticipated that this investment policy can generate a return that enables it to meet its long-term commitments.

COPI and its Trustee bank ensure that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. To mitigate concentration and other risks, assets are invested across multiple asset classes with active investment managers.

CCAC and COPI have not yet determined its contribution to the plan assets for the year ending December 31, 2019.

Retirement benefit expense is included as part of employee costs under operating expenses (Note 19).

Note 23 - Equity

23.1 Share capital

As at March 31, 2020 and December 31, 2019, the Parent Company's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per share.

The details and movement of share capital as at and for the period ended March 31, 2020 and the year ended December 31, 2019 follow:

	No. of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2019	405,505,191	407,264	993,243	(73,759)
Acquisition of treasury shares	(2,287,100)	-	-	(72,769)
December 31, 2019	403,218,091	407,264	993,243	(146,528)
Acquisition of treasury shares	-	-	-	-
March 31, 2020	403,218,091	407,264	993,243	(146,528)

23.2 Retained earnings

Cash dividends declared for the period ended March 31, 2020 and for the year ended December 31, 2019 are as follows:

Date declared	Dates paid	Per share	2019	2018
April 3, 2019	May 16, 2019	1.20	486,606	-
April 6, 2018	May 18, 2018	1.20	-	487,056
			486,606	487,056

On April 3, 2019, the Parent Company's BOD declared cash dividends in the amount of P1.20 per share for shareholders of record as at April 23, 2019. Total cash dividends paid on May 16, 2019 amounted to P486,606.

For the period ended March 31, 2020, non-controlling interest (NCI) from profit distribution of CCAC and COPI amounted to P512,520 and nil, respectively (2019 - P876,060 and P19,500, respectively).

23.3 Treasury shares

On February 17, 2016, the Parent Company's BOD approved a non-solicitation share buyback program to be carried out until February 16, 2019. On September 9, 2019, the Parent Company's BOD approved a 3-year share buyback program commencing on September 10, 2019 and concluding on September 9, 2022.

On March 20, 2020, the BOD amended the terms of the share buyback program to increase the limit of the common shares that may be repurchased during the first year of the program from P100 million to P300 million.

Buyback of shares paid for since 2016 are as follows:

Trade Date	Date Paid	Shares	Per share	Absolute amount in	
					Peso
March 16, 2016	March 21, 2016	500,000	42.00		21,000
March 16, 2016	March 21, 2016	384,100	42.50		16,324
April 05, 2016	April 08, 2016	500,000	45.00		22,500
October 09, 2018	October 12, 2018	250,000	37.20		9,300
October 11, 2018	October 16, 2018	124,600	37.20		4,635
September 10, 2019	September 13, 2019	500,000	32.30		16,150
September 11, 2019	September 16, 2019	500,000	32.50		16,250
September 17, 2019	September 20, 2019	30,000	32.00		960
September 19, 2019	September 24, 2019	152,000	31.99		4,864
September 25, 2019	September 30, 2019	100,000	31.51		3,151
September 26, 2019	October 1, 2019	5,700	30.80		176
September 26, 2019	October 1, 2019	12,500	31.20		390
September 26, 2019	October 1, 2019	5,000	31.30		157
September 26, 2019	October 1, 2019	5,000	31.40		157
September 26, 2019	October 1, 2019	71,800	31.50		2,262
September 27, 2019	October 1, 2019	3,000	30.50		92
September 27, 2019	October 1, 2019	30,800	31.50		970
October 8, 2019	October 10, 2019	300	31.10		9
October 8, 2019	October 10, 2019	500	31.30		16
October 8, 2019	October 10, 2019	2,100	31.35		66
October 8, 2019	October 10, 2019	600	31.40		19
October 8, 2019	October 10, 2019	600	31.50		19
October 8, 2019	October 10, 2019	300	31.80		10
October 8, 2019	October 10, 2019	700	31.90		22
October 8, 2019	October 10, 2019	7,000	31.95		224
October 8, 2019	October 10, 2019	25,900	32.00		829
October 9, 2019	October 14, 2019	400	31.55		13
October 9, 2019	October 14, 2019	200	31.70		6
October 9, 2019	October 14, 2019	1,400	31.80		45
October 9, 2019	October 14, 2019	9,100	31.90		290
October 9, 2019	October 14, 2019	245,500	32.00		7,856
October 10, 2019	October 14, 2019	5,600	31.00		174
October 10, 2019	October 14, 2019	600	31.80		19
October 10, 2019	October 14, 2019	2,000	31.85		64
October 10, 2019	October 14, 2019	9,200	31.90		293
October 10, 2019	October 14, 2019	9,200	31.95		294
October 10, 2019	October 14, 2019	80,400	32.00		2,573
October 25, 2019	October 29, 2019	700	31.00		22
October 25, 2019	October 29, 2019	2,000	31.45		63
October 25, 2019	October 29, 2019	300	31.50		9
October 25, 2019	October 29, 2019	500	31.60		16
October 25, 2019	October 29, 2019	1,700	31.70		54
October 25, 2019	October 29, 2019	900	31.75		29
October 25, 2019	October 29, 2019	300	31.80		10
October 25, 2019	October 29, 2019	3,000	31.90		96

Trade Date	Date Paid	Shares	Per share	Absolute amount in Peso
October 25, 2019	October 29, 2019	2,000	31.95	64
October 25, 2019	October 29, 2019	25,100	32.00	803
October 28, 2019	November 1, 2019	600	30.80	18
October 28, 2019	November 1, 2019	1,300	31.00	40
October 28, 2019	November 1, 2019	9,600	32.00	307
November 5, 2019	November 11, 2019	25,200	30.30	764
November 5, 2019	November 11, 2019	44,800	31.00	1,389
November 6, 2019	November 11, 2019	9,600	30.60	294
November 6, 2019	November 11, 2019	10,000	30.80	308
November 6, 2019	November 11, 2019	45,400	31.00	1,407
November 7, 2019	November 11, 2019	15,000	30.00	450
November 7, 2019	November 11, 2019	5,900	30.80	182
November 7, 2019	November 11, 2019	12,000	30.90	371
November 7, 2019	November 11, 2019	1,000	30.95	31
November 7, 2019	November 11, 2019	41,100	31.00	1,273
November 8, 2019	November 13, 2019	84,700	31.00	2,625
November 14, 2019	November 13, 2019	5,000	31.00	155
November 19, 2019	November 21, 2019	10,000	29.00	290
November 19, 2019	November 21, 2019	11,000	29.50	325
November 19, 2019	November 21, 2019	800	29.60	24
November 19, 2019	November 21, 2019	53,200	30.00	1,595
December 12, 2019	December 19, 2019	38,000	28.10	1,067
December 27, 2019	December 30, 2019	9,000	29.90	268
		4,045,800		146,528

Note 24 - Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares, if any.

Total issued ordinary shares for the period has been adjusted for impact of stock split and stock dividends, if any.

Earnings per share for the periods ended March 31 is calculated as follows:

	2020	2019
Net income attributable to owners of the Parent Company	70,366	186,670
Weighted average common shares - basic and diluted (in '000)	403,218	405,505
Basic and diluted earnings per share	0.17	0.46

Note 25 - Contingencies

The Group is a party to various on-going litigation proceedings, to which respective courts and regulatory bodies have not rendered any final decision as at audit reporting date. Notwithstanding, the Group's management, with the assistance of third party counsels, has determined certain loss positions that warranted corresponding provisions to be recorded in the consolidated statements of financial position. These were recognized based on existing conditions and available information as at reporting date. Accordingly, annual evaluation is conducted by management to identify possible changes in circumstances that would equally require adjustment in its estimates. The detailed information pertaining to these litigations have not been disclosed as this might prejudice the outcome of the ongoing litigations.

Note 26 - Segment information

The Group's Executive Committee and the BOD review and analyze profit or loss according to segments, namely, Consumer Lifestyle Solutions (CLS) business and Alstra business, while assets, liabilities and other accounts are analyzed on a per entity basis - CCAC, CDI and COPI with all other entities as part of others.

26.1 Profit or loss

26.1.1 CLS

The segment's products and related services include heating, ventilating and air conditioning (HVAC) products and services for consumer use, domestic refrigeration products, and other consumer appliances. It is supported by a vast network of distributors, dealers, retailers and technicians, who sell, install and service the Group's products primarily in the residential and light commercial segments.

26.1.2 Alstra

The segment's products and related services include air conditioning (HVAC), heating, and ventilation as well as products and services of elevators, escalators, moving walkways and shuttle systems, primarily for industrial and commercial use. It is sold directly to end customers or through a network of accredited sub-contractors.

26.2 Assets, liabilities and other accounts

26.2.1 CCAC

CCAC's products and services include HVAC products and HVAC services. It is supported by a vast network of distributors, dealers, retailers and technicians who sell, install and service CCAC's products in the industrial, commercial and residential property sectors. The chief operating decision-maker performs review of gross profit per component, while review of segment operating expenses, income tax, and profit or loss are done in total.

26.2.2 CDI

CDI is engaged in the sale and manufacture of refrigerators and freezers for domestic market.

26.2.3 COPI

COPI is engaged in distribution and service of elevators, escalators, moving walkways and shuttle system.

Segment information on reported consolidated profit or loss for the three months period ended March 31 is as follows:

	CLS	Alstra	Others	Total
2020				
Net sales and services	2,072,592	657,003	5,257	2,734,852
Timing of revenue recognition				
At point in time	2,072,592	-	5,257	2,077,849
Over time	-	657,003	-	657,003
Cost of sales and services	(1,315,901)	(430,438)	(2,329)	(1,748,668)
Gross profit	756,690	226,565	2,929	986,184
Depreciation and amortization	(20,705)	(4,534)	(9,633)	(34,872)
Amortization of ROU	(39,912)	(11,626)	(4,107)	(55,645)
Operating expenses	(481,299)	(108,789)	(183,160)	(773,248)
Interest expense	(1,755)	(840)	(3,491)	(6,086)
Interest income	1,846	3,113	390	5,349
Share in net income of associates	(3,956)	-	(2,475)	(6,431)
Provision for income tax	(79,420)	(37,703)	43,142	(73,981)
Profit or (loss)	191,082	120,750	(182,965)	128,867

	CLS	Alstra	Others	Total
2019				
Net sales and services	2,531,101	767,071	4,503	3,302,675
Timing of revenue recognition				
At point in time	2,531,101	-	4,503	2,535,604
Over time	-	767,071	-	767,071
Cost of sales and services	(1,581,861)	(504,870)	(3,705)	(2,090,436)
Gross profit	949,240	262,200	798	1,212,239
Depreciation and amortization	(16,659)	(4,667)	(5,509)	(26,835)
Operating expenses	(523,973)	(111,431)	(154,755)	(790,159)
Interest expense	(124)	-	(4,041)	(4,166)
Interest income	259	2,106	1,836	4,201
Share in net loss of an associate	197	-	131	328
Provision for income tax	(29,512)	(10,652)	(99,072)	(139,235)
Profit or (loss)	409,982	142,273	(261,288)	290,967

The balances presented in "Others" are mainly from cost related to emerging technology initiatives, corporate costs, shared services and eliminating entries recognized in the preparation of the consolidated financial statements.

Segment information on consolidated assets and liabilities as at March 31, 2020 and December 31, 2019 are as follows:

	CCAC	CDI	COPI	Others	Total
2020					
Current assets	5,919,441	2,254,244	1,926,325	320,941	10,420,951
Non-current assets	940,362	383,284	94,276	1,394,260	2,812,182
Current liabilities	2,814,848	669,652	1,537,783	286,842	5,309,125
Non-current liabilities	597,909	99,770	53,644	118,211	869,534
Other Information					
Investment in associates	62,366	-	-	50,316	112,682
Additions to non-current assets					
Property and equipment	12,225	3,468	579	10,417	26,689
Investment property					
Intangible assets	-	-	-	3,832	3,832
2019					
Current assets	5,702,961	2,356,388	749,041	405,469	9,213,859
Non-current assets	1,019,588	405,109	96,934	1,402,296	2,923,927
Current liabilities	2,468,188	836,915	390,976	292,629	3,988,708
Non-current liabilities	615,332	96,237	42,095	128,128	881,792
Other Information					
Investment in associates	65,937	-	-	53,176	119,113
Additions to non-current assets					
Property and equipment	84,919	56,631	5,730	104,084	251,364
Investment property	-	-	-	1,188	1,188
Intangible assets	-	-	-	11,701	11,701

The balances presented in "Others" are mainly related to corporate and back-office support legal entities of the Group, the investment in associates and eliminating entries recognized in the preparation of the consolidated financial statements.

Note 27 - Financial risk and capital management

27.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the Group's Executive Committee and Leadership together with the Group's Chief Finance Officer under policies approved by the Group's BOD. These policies provide written principles for overall risk management. There were no changes in policies and processes in the Group's financial risk management in 2019 and 2018.

27.1.1 Market risk

(a) Foreign exchange risk

Currency risk arises when future commercial transactions, and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. In the normal course of business, the Group transacts with certain entities based outside the Philippines particularly for export deliveries, and purchases of raw materials and supplies, and these transactions are being settled in U.S. Dollar and/or other currencies.

However, the foreign exchange risk exposure is brought down to an acceptable level since average trade payment terms approximate each other, which range between 30 and 60 days upon which the risk associated with foreign exchange rates are deemed negligible. The Group enters into foreign exchange forward contracts with average term of a month in order to reduce losses on possible significant fluctuations in the exchange rates.

(b) Commodity price risk

The Group is exposed to the risk that the prices for certain primary raw materials (e.g. copper and aluminum) will increase or fluctuate significantly. Most of these raw materials are global commodities whose prices are cyclical in nature and increase or decrease in line with global market conditions. The Group is exposed to these price changes to the extent that it cannot readily pass on these changes to the customers of its respective businesses, which could adversely affect the Group's margins.

Cash flow and fair value interest rate risk

The Group is not significantly exposed to cash flow and fair value interest rate risk since short-term borrowings are made at fixed interest rates and are settled within 12 months.

27.1.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from deposits and short-term placements with banks and financial institutions, as well as credit exposure to trade customers, including other outstanding receivables. For banks, the Group only has existing deposit arrangements with either universal or commercial banks, which are considered top tier banks in terms of capitalization as categorized by the Bangko Sentral ng Pilipinas.

The Group has no significant concentrations of credit risk due to the large number of customers comprising the customer base and it has policies in place to ensure that the sale of goods is made only to customers with an appropriate credit history. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, Credit and Collection (C&C) group of each subsidiary assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Individual risk limits are set based on internal and external ratings in accordance with the credit policy limits. The utilization of credit limits are regularly monitored by the C&C group of each subsidiary. Nonetheless, the Group is still exposed to risk of non-collection arising from disputes and disagreements on billings which may deter the collection of outstanding accounts on a timely basis.

The Group has three (3) types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents
- Trade receivables from sale of goods and services
- Contract assets relating to POC contracts

The Group's assessment of its credit risk on cash and cash equivalents, receivables and contract assets are disclosed in Notes 2 and 3, respectively.

27.1.3 *Liquidity risk*

The Group observes prudent liquidity risk management through available credit lines and efficient collection of its receivables, which enables the Group to maintain sufficient cash to meet working capital requirements, planned capital expenditures, and any short-term debt financing requirements. On top of liquidity risk management above, the Group also performs a monthly review of its financing requirements for working capital and loan capital expenditures and where deemed necessary, the Group obtains short-term bank borrowings to cover for immediate expenses and maturing obligations. Results of management's review are reported to the BOD on a regular basis.

As at March 31, 2020 and December 31, 2019, the Group has available letters of credit and loan credit facilities from various financial institutions as follows:

Type of credit facility	2020		2019	
	Currency	Amount	Currency	Amount
Bank of Philippine Islands				
Revolving promissory note line	Philippine Peso	2,000,000	Philippine Peso	2,000,000
Lease line	Philippine Peso	150,000	Philippine Peso	150,000
Short-term loan line	Philippine Peso	-	Philippine Peso	-
Import letters of credit and trust receipt line	Philippine Peso	-	Philippine Peso	-
Bills purchased line	Philippine Peso	100,000	Philippine Peso	100,000
Corporate card guarantee	Philippine Peso	-	Philippine Peso	-
Foreign exchange settlement line	U.S. Dollar	3,000	U.S. Dollar	3,000
Citibank				
Bills purchased line	Philippine Peso	45,000	Philippine Peso	45,000
Letters of credit	U.S. Dollar	7,800	U.S. Dollar	5,200
Foreign exchange settlement risk line	U.S. Dollar	1,000	U.S. Dollar	1,000
Foreign exchange pre-settlement risk line	U.S. Dollar	200	U.S. Dollar	200
Short-term loan line	U.S. Dollar	8,080	U.S. Dollar	8,080
Commercial cards	U.S. Dollar	510	U.S. Dollar	510
Banco De Oro				
Short-term loan line	Philippine Peso	500,000	Philippine Peso	500,000
Bills Purchased line	Philippine Peso	50,000	Philippine Peso	50,000
Foreign exchange settlement line	Philippine Peso	20,000	Philippine Peso	20,000

Trade and other payables, and amounts due to related parties are unsecured, non-interest bearing and are normally settled within 30 to 60 days from transaction date. As at March 31, 2020 and December 31, 2019, all of the Group's financial liabilities are due and demandable within 12 months. The Group expects to settle these obligations in accordance with their respective maturity dates. These balances equal their carrying amounts as the impact of discounting is not significant. Based on management's assessment, the Group has sufficient level of readily available funds, which do not yet consider expected receipts from collection of current trade receivables, to settle maturing obligations as they fall due.

27.2 **Capital management**

The Group's objectives when managing capital, which is equivalent to the total equity shown in the consolidated statements of financial position, less charges to other comprehensive loss, are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital which will reduce the need to obtain long-term borrowings and incur higher cost of capital such as interest expense. There were no changes in policies and processes in the Group's capital management in 2020 and 2019.

The details of the Group's capital are as follows:

	2020	2019
Share capital	407,264	407,264
Share premium	993,243	993,243
Treasury shares	(146,528)	(146,528)
Retained earnings	4,132,670	4,063,053
	5,386,649	5,317,032

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends, increase capital through additional contributions or sell assets in lieu of third party financing. No changes were made in the objectives, policies and processes as at March 31, 2020 and December 31, 2019.

The Group has no significant capital risk exposure given the level of financial assets available to finance its current liabilities. Also, the Group is not subject to externally imposed capital requirements arising from debt covenants and other similar instruments since it has no long-term borrowings from banks and financial institutions. Moreover, the Group is not subject to specific regulatory restrictions on its capital other than required public float of at least 10% of issued and outstanding shares, exclusive of any treasury shares. The Parent Company is compliant with this requirement.

27.3 Fair value estimation of financial assets and liabilities

The Group's foreign exchange forward contracts, which are measured at fair value, qualify under Level 2. Accordingly, the fair values of these financial liabilities are based on published closing rate with any resulting value no longer subject to discounting due to the relative short-term maturity of these instruments. The Group does not account these contracts under hedge accounting; and accordingly recognizes fluctuations in fair value directly to profit or loss. As at March 31, 2020 and December 31, 2019, the Group has no other financial assets or liabilities measured and carried at fair value that would qualify as either Level 1 or 3.

Note 28 - Critical accounting estimates, assumptions and judgments

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

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

28.1 Critical accounting estimates and assumptions

28.1.1 Useful lives of property and equipment

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

28.1.2 Provision for warranty cost

The provision for warranty cost is estimated using a determined weighted average rate applied to actual sales, which is based on the Group's past actual warranty cost and current year's reassessment

of trends and cost. An increase in number of incidents of warranty utilization at the current year would increase provision recognized at reporting date in anticipation of similar trend in subsequent periods.

28.1.3 Provision for retirement benefits

The determination of each subsidiary's retirement obligation and benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. These assumptions, as described in Note 22, include among others, discount rate and salary increase rate.

The sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement benefit obligation was expressed as a percentage change from the base retirement benefit obligation.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed the base retirement benefit obligation. Moreover, separate sensitivity was performed for each subsidiary in consideration of varying terms, scope, employee profile, and others.

28.1.4 Provision for volume rebates, trade discounts and other incentives

Revenue is recognized when title and risk of loss is passed to the customer and reliable estimates can be made of relevant deductions. Gross sale is reduced by rebates, discounts, and other incentives given or expected to be given, which vary by product arrangements and buying groups. These arrangements with purchasing organizations are dependent upon the submission of claims sometime after the initial recognition of the sale. Provisions are made at the time of sale for the estimated rebates, discounts or incentives to be made, based on available market information and historical experience. Because the amounts are estimated, they may not fully reflect the final outcome, and the amounts are subject to change dependent upon, amongst other things, the types of buying group and product sales mix.

The level of provision is reviewed and adjusted regularly in the light of contractual and legal obligations, historical trends, past experience and projected market conditions. Market conditions are evaluated using wholesaler and other third-party analyses, market research data and internally generated information. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

28.1.5 Provision for contingencies

Provision for contingencies is estimated based on consultation with third party counsels with reference to probability of winning the case. A higher probability of winning would decrease provision. The Group considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the provision for contingencies at the reporting date.

28.1.6 Percentage of completion on installation contracts

Revenues from contracts are recognized under the percentage of completion method. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs of each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. The Group considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding percentage of completion of contracts.

28.2 Critical judgments in applying the Group's accounting policies

28.2.1 Impairment of goodwill

The Group reviews the goodwill annually for impairment and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, and at the end of the first

full year following acquisition (Note 10). Goodwill is monitored by management at COPI's business level (lowest level of CGU identified) following its acquisition by Parent Company.

As at December 31, 2019, based on management's assessment and judgment, there is no indication of impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2019, the recoverable amount of COPI's business was determined based on value in use calculation (using Level 3 inputs) using certain assumptions. Management has engaged a third party which employed the discounted cash flow method in computing for the value in use. The calculations made use of cash flow projections based on financial forecasts approved by the BOD covering a five-year period beginning 2019.

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

Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2019 to 2023 and the annuity and present value factors using the computed discount rates (and sensitivities) to determine the value of COPI's business beyond five-year projections.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2019.

28.2.2 Impairment of intangibles - customer relationships and customer contract backlogs

The Group's intangibles are composed of customer relationships and customer contract backlogs from acquisition of COPI (Note 10). The intangibles are carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In calculating the fair value of customer relationships and customer contract backlogs, the Group used the same revenue growth and discount rate in calculating the value in use of COPI. Changes in those judgments could have a significant effect on the carrying value of intangible assets and the amount and timing of recorded impairment provision for any period.

28.2.3 Impairment of investment in associates

The Group's investment in associates is carried using the equity method in these consolidated financial statements. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Changes in those management judgments and assessments could have a significant effect on the carrying value of investment in associates and the amount and timing of recorded provision for impairment for any period.

As at March 31, 2020 and December 31, 2019, based on management's assessment and judgment, the carrying value of its investment in associates is not impaired. Annual losses of the associate are considered by management as temporary.

28.2.4 Provision for impairment of receivables

The provision for impairment of receivables is based on the Group's assessment of collectability of payments from its debtors through varying schemes including specific identification. This assessment requires judgment based on available facts and circumstances regarding the ability of the debtors to pay the amounts owed to the Group such as financial condition, the length of relationship with a debtor, debtors' current credit status based on known market factors and availability of assets that may be secured as collateral, and the outcome of any disputes.

Any change in the Group's assessment of collectability of receivables that was not previously provided for due to reassessment made as additional information is received could significantly impact the calculation of such provision and the results of operations. The amounts and timing of recorded provision for impairment of receivables for any period would differ if the Group made different assumptions or utilized different estimates. The details of receivables are disclosed in Note 3.

28.2.5 Provision for inventory obsolescence and losses

The Group recognizes a provision for inventory obsolescence and losses based on a review of the movements and current condition of each inventory item with adequate consideration on identified damages, physical deterioration, technological and commercial obsolescence or other causes. The provision account is reviewed on a periodic basis to reflect the accurate valuation of the Group's inventories. Inventory items identified to be obsolete and unusable is written-off, and charged as expense for the period. Management determines on a regular basis the necessity of providing for impairment. Any change in the Group's recoverability assessment could significantly impact the determination of such provision and the results of operations. The details of inventories are shown in Note 5.

28.2.6 Impairment of property and equipment

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. Accordingly, results of management's most recent assessment disclosed the absence of any conditions such as physical damage or significant change in manufacturing operations; rendering certain property and equipment as obsolete and would warrant assessment for impairment and/or recognition of an impairment provision in its carrying amount as at reporting date.

28.2.7 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

28.2.8 Income taxes

A certain degree of judgment is required in determining the provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Further, recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied.

The Group assesses the recoverability of outstanding balances of deferred income tax assets up to the extent that is more likely than not will be realized. The Group reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Except for net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) of certain entities, management believes that deferred income tax assets are fully recoverable at the reporting date.

28.2.9 Contingencies

The Group has legal cases still pending with the courts and tax assessments pending with the BIR. Management and in consultation with third party counsels believes, however, that its position on each case has legal merits and for certain loss positions, if any, corresponding provisions were recognized based on existing conditions and available information as at reporting date. Annual assessment is made and actual results may differ significantly from the amount recorded.

28.2.10 Accounting for transfer of assets

The Group assesses whether a transaction would constitute as an asset acquisition or a business combination. For a transaction to meet the definition of a business combination and for the acquisition method of accounting to apply, an entity must gain control of the integrated set of assets and activities that is more than a collection of assets or a combination of assets and liabilities. A business would normally be carrying on a continuing trade with identifiable revenue. The assets or combination of assets and liabilities of the acquired entity interact with each other and with the people who operate the assets as a business.

28.2.11 Determining control over a subsidiary

The Parent Company follows the guidance of PFRS 10, 'Consolidated Financial Statements' in determining if control exists for investments with ownership of less than half of its total equity. In making this judgment, the Parent Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the entity under a statute or an agreement, power to appoint or remove the majority of the members of the BOD, or power to cast the majority of votes at meetings of the BOD.

Note 29 - Summary of significant accounting policies

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

29.1 Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of these consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 28.

Changes in accounting policy and disclosures

The Group has adopted PFRS 16, *Leases* retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period following the modified retrospective method, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet as at January 1, 2019.

The net impact on retained earnings and NCI as at January 1, 2019 was a decrease of P5,655 and P1,558, respectively.

The Group elected to present separately the ROU assets, lease receivables and lease liabilities in the statement of financial position.

On adoption of PFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of PAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's negotiated borrowing rate as at January 1, 2019. The weighted average Group's negotiated borrowing rate applied to the lease liabilities as at January 1, 2019 was 5.09%.

In applying PFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

29.2 Consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. The Group uses uniform accounting policies and any difference is adjusted accordingly.

29.2.1 *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Parent Company has control. The Parent Company controls an entity when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Parent Company. They are de-consolidated from the date on which control ceases.

The details of the Parent Company's subsidiaries as at March 31, 2020 and December 31, 2019 are as follows:

Entity	2020		2019	
	Percentage of Ownership		Percentage of Ownership	
	Direct	Indirect	Direct	Indirect
CCAC	60	-	60	-
CDI	100	-	100	-
CBSI	100	-	100	-
CTC	100	-	100	-
Alstra	100	-	100	-
COPI	-	51	-	51
Teko	-	52	-	52

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; and Teko is 48% as at March 31, 2020 and December 31, 2019.

NCI is the residual equity in CCAC, COPI and Teko not attributable, directly or indirectly, to the Parent Company as shown in the table above.

(a) *Business combination through acquisition of business*

The Group applies the acquisition method to account for business combinations that are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

The excess of the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, NCI recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intercompany transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated.

Investment in subsidiary is derecognized upon disposal or loss of control over a subsidiary. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss. Upon loss of control, the investment account is measured at fair value, any difference between carrying amount and the fair value of investment is recognized in profit or loss.

(b) Business combinations under common control

Business combinations under common control, which include those entities under common shareholding, are accounted for using the predecessor cost method (similar to merger accounting/pooling of interest method). Under this method, the Group does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which financial statements are prepared. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

The consolidated financial statements incorporate the assets, liabilities and results of operations of the combining entities or businesses as if they had always been combined or from the date when the combining entities or businesses first became under common control, whichever period is shorter. The difference between the consideration given and the aggregate book value of the assets and liabilities acquired as at the date of the transaction are offset against other reserves, which is presented as a separate line item under equity in the consolidated statements of financial position. The effect of the Parent Company's equity in the subsidiaries, and intercompany transactions and balances were eliminated in the consolidated financial position and results of operations.

29.2.2 Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. An investment in associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

29.3 Cash and cash equivalents

Cash and cash equivalents, which are carried at face amount or nominal amount, include deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less from the date of acquisition. Short-term highly liquid investments with original maturities of more than three (3) months are booked as part of prepayments and other current assets.

29.4 Receivables

Receivables are amounts due from customers for merchandise sold or services performed and amounts due from other debtors in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-60 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Other receivables amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

Policy on impairment and other relevant policies on receivables are disclosed in Note 29.5. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited to operating expenses in profit or loss.

A provision for incentives on trade receivables (volume rebates, discounts and other incentives) is recognized once pre-determined conditions such as realization of volume targets and early payment dates have been reliably estimated. The amount of provision is estimated based on agreed rates stipulated in contracts with dealers as applied to total sales for volume rebates as approved by the Chief Finance Officer or Chief Operating Officer or the head of the Strategic Unit. These are deducted from revenues in profit or loss and from trade receivables in the consolidated statements of financial position.

29.5 Investments and other financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Group recognizes a financial instrument in the consolidated statements of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From January 1, 2018, the Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

(a) Classification

The Group classifies its financial liabilities at initial recognition in the following categories: at FVPL and other financial liabilities.

(i) Financial liabilities at FVPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at FVPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

A financial liability is classified as financial liability at FVPL upon initial recognition if: such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; the financial liability forms part of group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and PAS 39 permits the entire combined contract (asset or liability) to be designated as FVPL.

The Group's foreign exchange forward contracts included under trade payables and other liabilities account in the consolidated statements of financial position qualify as a derivative and are accounted for at FVPL.

(ii) Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include trade payables and other liabilities (Note 29.15) (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions) and borrowings (Note 29.16).

(b) Initial recognition and derecognition

Financial liabilities are carried at FVPL are initially recognized at fair value and transaction costs are recognized as expense in profit or loss. Other financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

Derivatives are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains or losses arising from changes in the fair value are presented in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party. As at March 31, 2020 and December 31, 2019, there are no financial assets and liabilities that were offset.

29.6 Fair value measurement

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

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

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

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

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

As at March 31, 2020 and December 31, 2019, the Group does not hold financial and non-financial assets and liabilities at fair value other than foreign exchange forward contracts (Note 29.5).

29.7 Prepayments and other current assets

Prepayments, which are carried at cost, are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other current assets include input value-added tax (VAT), creditable withholding taxes and short-term investments.

Input VAT and creditable withholding taxes are recognized as assets in the period such input VAT and income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

29.8 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of raw materials, finished goods, work-in-process and spare parts and supplies is determined using the standard cost method adjusted on a regular basis to approximate actual cost using the moving average cost method. Cost of finished goods and work-in-process includes raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Inventories-in-transit are valued at invoice cost plus incidental charges. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories are derecognized either when sold or written-off. When inventories are sold, the carrying amount of those inventories is recognized as an expense (under cost of sales and services) in the period in which the related revenue is recognized.

Provisions for inventory obsolescence and losses are set-up, if necessary, based on a review of the movements and current condition of each inventory item. Inventories are periodically reviewed and evaluated for obsolescence. Provisions for inventory obsolescence are made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized 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 realizable value is recognized as income in the period in which the reversal occurs.

29.9 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs of assets under construction are accumulated in CIP account until these projects are completed upon which they are transferred to appropriate property and equipment accounts.

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

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

Machinery and equipment	3 to 10
Transportation equipment	3 to 10
Furniture, fixtures and office equipment	2 to 5
Tools and equipment	3 to 5
Building and leasehold improvements	5 to 10

CIP is not depreciated until they are classified to appropriate asset category and used in operation.

The assets' residual values, useful lives and depreciation and amortization method are reviewed and adjusted, as appropriate, at each reporting date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

The carrying amount of an item of property and equipment is derecognized on disposal; or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss under other operating income (expense).

29.10 ROU assets

The Group leases various offices, warehouses, vehicles and other assets. Rental contracts are typically made for fixed periods of three to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a ROU asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT-equipment and printers.

29.11 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment properties will flow to the Group and cost of the investment can be measured reliably. The cost of investment property includes costs incurred initially to acquire the asset and costs incurred subsequently to add to, replace part of, or service a property.

Investment property is tested for impairment once indicators of impairment are present. The carrying amount of the investment property is written down immediately to its recoverable amount if the former is greater than its estimated recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For purposes of assessing impairment of the investment property, fair value less cost to sell is based on the best information available to reflect the amount that the Group would obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal. In determining this amount, the Group considers the outcome of recent transaction for similar property within the same location. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Investment property is derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from their use or disposal. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized through profit or loss in the year of disposal.

29.12 Intangible assets

29.12.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any NCI in the acquired company and the acquisition-date fair value of any previously-held interest in the acquired company over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

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

29.12.2 Customer relationships and customer contract backlogs

Customer relationships and backlogs acquired in a business combination are recognized at the fair value at the acquisition date. The contractual customer relations and backlogs have finite useful lives of 25 years and 2 to 3 years, respectively, and are carried at cost less accumulated amortization.

29.12.3 Computer software

Computer software cost is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over its estimated useful lives of five (5) years.

An intangible asset is derecognized on disposal, by sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition is recognized in profit or loss when the asset is derecognized.

29.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increase should not exceed the carrying amount that would have been determined had not the impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income immediately.

29.14 Current and deferred income tax

The provision for income tax for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess MCIT) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except that the deferred income tax liability arises from initial recognition of goodwill.

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

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are derecognized when the relevant temporary differences are realized/settled or recoverability is no longer probable.

29.15 Trade payables and other liabilities

Trade payables and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. Payables are generally due within 30-60 days and therefore are all classified as current. Trade payables and other liabilities are classified as current liabilities if payment is due within one (1) year or less. If not, they are presented as non-current liabilities. These are unsecured, non-interest bearing and are recognized initially at fair value and subsequently measured at amortized cost which is normally equal to their nominal value.

29.16 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss within finance costs over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use when it is probable that they will result in future economic benefits to the Group and costs can be measured reliably. Other borrowing costs are expensed as incurred.

Borrowings are derecognized upon payment, cancellation or expiration of the obligation.

29.17 Provisions

Provisions are recognized when: (a) the Group has a present legal or constructive obligation as a result of past events; (b) it is more likely than not that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Provisions are derecognized when the obligation is settled, cancelled or has expired. Provisions are not recognized for future operating losses. Provisions include those for contingencies and commissions.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

The Group recognizes warranty provision, which represents estimated costs including replacement parts and labor that will be incurred in relation to requested service for reported damages and required rework of defective finished goods within the allowable period. The provision is evaluated on an annual basis; and adjusted accordingly which includes actual utilization of warranty provisions. Any increase or decrease in the amount based on reassessment of existing trends and circumstances are charged against or credited to operating expenses in profit or loss. Warranty provisions are classified as current liabilities if the warranty period is due within one (1) year. If not, they are presented as non-current liabilities.

29.18 Equity

29.18.1 Share capital and share premium

Common shares are stated at par value and are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from issuance of shares over the par value of shares are credited to share premium.

29.18.2 Retained earnings

Retained earnings include current and prior years' results of operations, and dividends declared, if any. Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Parent Company's BOD.

29.18.3 Dividends

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

Share dividend represents dividend payment made in the form of additional shares rather than a cash payout. Dividend distribution to the Parent Company's shareholders is recognized as an addition to share capital in the Parent Company's financial statements in the period in which the dividends are approved by the Parent Company's BOD.

29.18.4 Treasury Shares

Where the Parent Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

29.19 Earnings per share

29.19.1 Basic

Basic earnings per share is calculated by dividing the income attributable to owners of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalisation or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

29.19.2 Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. As at report date, the Parent Company has no dilutive potential common shares including convertible debt and share options.

29.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee and BOD. The Executive Committee and the BOD analyze the Group's results of operation after considering eliminating entries.

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

29.21 Revenue, cost and expense recognition

29.21.1 Revenues

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

The Group recognizes revenue when the amount of revenue can be reliably measured and it is possible that future economic benefits will flow into the entity and specific criteria have been met. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, trade and volume discounts, returns and other incentives.

(a) Sale of goods

(i) Sale of goods - wholesale

The Group manufactures and sells a range of air-conditioning, refrigeration and other electronic equipment in the wholesale market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sale of services

The Group provides installation services and preventive maintenance services of products purchased by its customers. These services are provided on a time-basis or as a fixed-price contract. Contract terms of preventive maintenance services of equipment generally range from less than a year to three (3) years, subject to renewal. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of elevators/escalators and related installation services. However, the installation is simple, since it does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include

the installation of elevators/escalators, revenue for the goods is recognized at a point in time when the goods is delivered, the legal title has passed and the customer has accepted the goods.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(c) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(d) Commission, interest and other operating income

The Group recognizes commission income upon actual receipt of inventory deliveries made to both domestic and offshore customers on behalf of a counterparty, which normally is a related party, based on pre-agreed rates.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Other operating income is recognized in profit or loss when earned.

29.21.2 Cost and expenses

Cost and expenses are recognized in profit or loss when incurred. Interest expense is recognized on a time-proportion basis using the effective interest method.

29.22 Leases - Group as lessee

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

29.23 Employee benefits

29.23.1 Retirement benefit obligation

CIC, CCAC, CBSI, CTC and COPI maintains a non-contributory defined benefit retirement plan which is a retirement plan that defines an amount of pension benefit that an employee will receive upon retirement, dependent on certain factors such as age, years of credited service, and compensation. CDI recognizes retirement benefit cost in accordance with RA 7641 (Retirement Law) which is also classified as a defined benefit plan.

The liability recognized in the consolidated statements of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit obligations at the reporting date less the fair value of plan assets. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), each subsidiary measures the resulting asset at the lower of (a) such amount determined, and (b) the present value of any economic benefits available to each subsidiary in the form of refunds or reduction in future contributions to the plan. The defined benefit obligation is calculated on a regular periodic basis by an independent actuary using the "projected unit credit cost" method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which they arise.

Past service costs are recognized immediately in profit or loss.

29.23.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

29.23.3 Bonus incentives

The Group recognizes a liability and an expense for performance-related bonuses, based on a formula that takes into consideration the profit attributable to the Group after certain adjustments and employee's performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

29.23.4 Other benefits

Wages, salaries, paid annual vacation and sick leave credits and other non-monetary benefits are accrued during the period in which the related services are rendered by employees of the Group. Short-term employee benefit obligations are measured on an undiscounted basis.

On June 11, 2018, the BOD approved the 2018 Long Term Share Incentive Plan. Under the Plan, a percentage of the Company's profit will be used to buy its existing shares in the stock market, which will then be given to entitled employees as an award based on pre-determined conditions. The program will be funded annually based on 1% to 2% of CIC profit based on the financial measure of Profit After Tax and Minority Interest.

29.24 Foreign currency transactions and translation

29.24.1 Functional and presentation currency

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

29.24.2 Transactions and balances

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

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

29.25 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting

enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

29.26 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an economic benefit is probable.

29.27 Subsequent events

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

Due to the enhanced community quarantine being implemented by the National Government to address COVID-19, the Group has identified risks to the business as disruption of work operations in affected locations, and the impact of such on market demand for the Group's products. The Group has provided concrete and defined guidelines and protocols adhering to all proposed government regulations on this matter which it cascaded to all employees as of March 12, 2020 for strict implementation in all locations and field offices. Further, the Group has postponed mass events and marketing activities and temporarily scaled down its operations appropriately.

On the business impact, the Group's suppliers highlighted potential resource issue since manpower (production and logistics) movement is restricted by quarantine conditions which caused production delays. However, such situation is beginning to normalize and is steadily recovering. Alternative sourcing strategies are in place while ensuring qualification of new parts and finished goods.

The Group has assessed that the current situation and the continued extension of ECQ will have adverse impact on the Company's performance for the year. It is not however expected to result in any significant impairment of its assets nor impact the Group's ability to meet their obligations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (based on the Unaudited Consolidated Results for the Period Ended March 31, 2020)

Concepcion Industrial Corporation (the "Company" or "CIC"), formerly Concepcion Airconditioning Corporation ("CAC"), is one of the Philippines' most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators, and has expanded into other consumer appliance products and building solutions, i.e., elevators and escalators. The Company is primarily a holding company which operates principally through its seven subsidiaries, Concepcion-Carrier Air Conditioning Company ("CCAC"), Concepcion Durables, Inc. ("CDI"), Concepcion-Otis Philippines, Inc. ("COPI"), Concepcion Business Services, Inc. ("CBSI"), Cortex Technologies Corporation ("CTC"), Alstra Incorporated ("Alstra"), Teko Solutions Asia Inc. ("Teko") and its two associates, Concepcion Midea Inc. ("CMIP") and Tenex Services, Inc. ("Tenex").

CCAC

CCAC engages in the manufacture, sale, distribution, installation, and service of heating, ventilating, and air conditioning products and services for residential, commercial, and industrial use. CCAC is a joint venture between the Company and Carrier Air Conditioning Philippines, Inc. (CACPI), which allows it to offer Carrier and Toshiba brand air conditioners and Totaline parts. CCAC also offers other brands such as Condura and Kelvinator. CCAC manufactures a select range of its air conditioning equipment at its factory in Light Industry and Science Park in Cabuyao, Laguna, Philippines, the Philippines' largest air conditioning facility with a capacity of approximately 500,000 units per year and a production area of 19,620 sqm. CCAC's products are distributed and sold primarily in the Philippines. It has a nationwide distribution reach supported by a nationwide after-market network. The Company believes CCAC has the largest share of the total air conditioning market in the Philippines as measured by revenues, including leading market positions in the residential, light commercial and commercial and industrial segments.

CDI

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brand refrigerators and freezers. CDI manufactures a select range of its products at its factory at Light Industry and Science Park in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. CDI factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has the largest share of the residential and light commercial ("RLC") refrigeration market in the Philippines.

CMIP

CMIP is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMIP's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a whole range of appliances such as air conditioners, refrigerators, and laundry and kitchen appliances. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow it to expand into the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a brand leader in China and has various domestic production bases in China as well as overseas production bases in Vietnam, Belarus, Egypt, Brazil, Argentina, and India. It is also a joint venture and/or business partner of Carrier Corporation in selected countries worldwide.

COPI

COPI's primary business is to import, buy and sell, at wholesale, distribute, maintain and repair, elevators, escalators, moving walkways, and shuttle systems and all supplies, material, tools, machinery and part/components.

CBSI

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management.

CTC

CTC engages in the research, development and commercialization of new and emerging technologies. CTC also develops strategic partnerships and identifies potential acquisitions, both locally and abroad, to develop solutions that are aligned with CIC's broader vision of building better lives and businesses and owning the home. CTC works across the enterprise to help facilitate innovation, and maintain CIC's position as a market leader.

Alstra

Alstra was organized primarily to carry on business as a holding company. Alstra may also engage in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

Teko

Teko's primary business is to provide information technology solutions, I.T. enabled services, e-commerce, web design, and applications, to enterprise, consumers, businesses, institutions and other end-users without engaging in mass media, advertising nor in telecommunication activities.

Tenex

Tenex is a joint venture company of Alstra and Mr. Joey P. Penaflor and is positioned to provide HVAC installation, repairs and maintenance services to commercial and business establishments.

Factors affecting the Company's financial and operational results in the first three months of 2020

COVID-19: With the implementation of mandatory enhanced community quarantine (ECQ), various aspects of the business were affected: (1) sales – stores and major business partners closed with very few dealers able to shift to e-commerce; (2) logistics – ECQ limited mobility resulting to excess inventory and cancellation/delay of inbound shipments; (3) service – accredited service providers and technicians unable to provide service due to lockdown; and (4) manufacturing – zero manufacturing operation.

Macroeconomic Fundamentals: The Philippine economy experienced contraction of 0.2% in Q1 as a result of the economic disruptions caused by COVID-19. Consumer Spending heavily shifted to essentials as revenue streams of consumer contracted from furlough and job displacement. Demand for consumer durables also shifted due to re-prioritization and deferment of big-ticket expenses.

Construction Sector Developments: The Company's commercial AC segment revenue as well as its elevator and escalator brands are dependent upon its ability to secure and retain the business of large property developers as well as industrial institutes and material accounts. The implementation of ECQ resulted to zero or limited construction activity causing slow conversion of backlogs.

Commodity Prices and Foreign Exchange Fluctuation: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials expense represents about 75% of the Company's manufactured cost of sales. Both commodity prices and FX were relatively stable in Q1. Challenges arise from material sourcing especially important raw materials that are challenged by port and logistics restrictions.

Key Performance Indicators

The Company monitors its financial and operating performance in terms of the following indicators:

	For the period ended March 31, 2020	For the period ended March 31, 2019
Gross Profit Margin (%)	36.1%	36.7%
Profit Before Tax (%)	7.4%	13.0%
Net Income Attributable to Shareholders (PhP Millions)	69.6	186.7
Net Income Attributable to Shareholders (% to Sales)	2.5%	5.7%
Return on Average Equity (%)	5.4%	15.4%
Return on Average Assets (%)	4.2%	10.7%
Earnings per share*	0.17	0.46
	As at March 31, 2020	As at March 31, 2019
Debt to Equity Ratio	0.9	0.7
Asset to Equity Ratio	1.9	1.7
Current Ratio	2.0	2.2
Book Value Per Share*	13.1	12.5

*Note: Total Number of Shares used is 404,089,391 in 2020 and 404,089,391 in 2019.

Key Performance Indicator	Definition
Gross Profit Margin %	Gross Profit/Net Sales
Profit Before Tax %	Profit before Tax/Net Sales
Return on Average Equity	Net Income after Minority Interest/ Average Shareholder's Equity net of Minority Interest
Return on Average Assets	Net Income/Average Assets
Debt to Equity Ratio	Total Liabilities/Total Equity
Asset-to-Equity Ratio	Total Assets/Total Equity
Current Ratio	Current Assets/Current Liabilities
Earnings Per Share	Net Income after Minority Interest/Total Shares Outstanding
Book Value Per Share	Shareholder's Equity net of Minority Interest/Total Shares Outstanding

RESULTS OF OPERATIONS

Three months ended March 31, 2020 compared with three months ended March 31, 2019

The three months period ended March 31, 2020 showed a decline in performance with consolidated three-month profit after tax of P129 million and profit after tax after minority interest (PATAMI) of P70 million, translating to a 56% decrease from the same quarter in 2019.

The slowdown of CIC's performance for the first quarter of 2020 was a result of the impact of the COVID19 pandemic and the implementation of the Enhanced Community Quarantine (ECQ) particularly on the month of March where a severe drop in sales was observed, 53% decline against same month in 2019.

Net sales and services

For the first three months of 2020, the total consolidated net sales and services was at P2.73 billion, a 17% decrease from same period last year.

The Consumer Lifestyle Solutions (CLS) Division posted a comparative period decrease in sales of 18% to P2.07 billion. Likewise, though unconsolidated, the growth momentum in the consumer appliance business over the past year was also derailed. However, despite weak sales in March, 43% decline compared to same period last year, consumer appliance business closed with 39% growth during the quarter.

The Alstra Division consisting of commercial AC, elevators and escalators posted a comparative period decrease in sales of 14% to P657 million. While the backlog of the commercial sector remains healthy, conversion to sales experienced slow down due to reduced economic and business activities over the course of the quarter peaking during the mid-week of March when ECQ was implemented.

Gross Profit and Margins

CIC registered consolidated gross profit of P986 million for the three months ended March 31, 2020, a 19% decline from same period last year. Gross margins declined by 0.6 points attributable to lower absorption due to the decline in production volume.

Operating Expenses

CIC's total operating expenses were at P773 million for the first three months of 2020, lower by 2% compared to same period last year, taking into effect the control measures implemented to manage expenses.

Other Operating Income and Finance Costs

Other operating income of P2 million was mainly related to FX revaluation gains and interest income from bank deposits and short-term placements.

FINANCIAL CONDITION

As at March 31, 2020 compared with as at December 31, 2019

Consolidated total assets as at March 31, 2020 was at P13.23 billion, up by P1.09 billion from end of 2019 balance of P12.14 billion. Marked increases in assets were from cash and cash equivalents, contract assets and inventories. Consolidated net cash position was up by P267 million to P1.87 billion as at March 31, 2020.

The increase in inventory of P654 million was primarily due to drop in sales as a direct consequence of reduced dealer/retailer activities during the ECQ.

Total liabilities as at March 31, 2020 amounted to P6.18 billion, an increase of P1.31 billion from end of 2019 mainly due to the increase of trade payables and other liabilities. The delay in payments was due to shifts in trading terms as a response toward COVID-19 business implications.

ANNEX D

2020 ANNUAL STOCKHOLDERS' MEETING OF CONCEPCION INDUSTRIAL CORPORATION (formerly Concepcion Airconditioning Corporation) (the "Corporation")

REGISTRATION AND PROCEDURE FOR VOTING *IN ABSENTIA* AND PARTICIPATION VIA REMOTE COMMUNICATION

I. VOTING IN ABSENTIA

1. Stockholders as of 15 June 2020 (the "Stockholder/s") may register by notifying the Corporate Secretary by email to cic.secretary@romulo.com on or before 3 July 2020. Registration shall be open from 29 June 2020 to 3 July 2020.
2. Upon registration, stockholders shall provide the following information and documents (the file size should be no larger than 5MB):
 - iv. For Individual Stockholders:
 - g. Email Address
 - h. First and Last Name
 - i. Address
 - j. A valid and active Mobile / Phone Number
 - k. A scanned copy of the stockholder's valid government-issued ID with picture and signature
 - l. Additional requirement for Stockholders with joint accounts: A scanned copy of an authorization letter signed by all joint stockholders, identifying who among them is authorized to cast the vote for the account
 - v. For Corporate Stockholders:
 - g. Email Address of the representative of the corporate stockholder
 - h. First and Last Name of the representative of the corporate stockholder
 - i. Address of the corporate stockholder
 - j. A valid and active Mobile / Phone Number of the representative of the corporate stockholder
 - k. A scanned copy of a valid government-issued ID of the representative of the corporate stockholder authorized to cast the vote for and on behalf of the corporate stockholder ("Authorized Vote") with photograph
 - l. A scanned copy of the certification duly signed by the corporate secretary of the corporate stockholder attesting to the authority of the representative to vote for and on behalf of the corporate stockholder
 - vi. For stockholders under Broker Accounts (PCD Nominee)
 - Individual beneficial owner
 - g. Email Address
 - h. First and Last Name
 - i. Address
 - j. A valid and active Mobile / Phone Number
 - k. A scanned copy of a valid government-issued ID of the individual beneficial owner with photograph
 - l. A scanned copy of the broker's certification on the individual beneficial owner's name, account number and shareholdings as of record date (15 June 2020)
 - Corporate beneficial owner
 - d. A scanned copy of the broker's certification on the corporate beneficial owner's name, account number and shareholdings as of record date (15 June 2020)
 - e. A scanned copy of the certification duly signed by the corporate secretary of the corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial owner
 - f. A scanned copy of a valid government-issued ID of the representative of the corporate beneficial owner with photograph
3. Registration shall be validated by the Office of the Corporate Secretary in coordination with the Stock Transfer Agent of the Corporation. The Corporate Secretary shall inform the stockholder of the validation results.

4. Voting shall be open from 29 June 2020 to 3 July 2020. All stockholders who wish to vote through a proxy or *in absentia* shall submit the duly signed proxies or ballots, as the case may be, to the Office of the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com not later than 3 July 2020.
5. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia* together with the votes cast by proxy, and committee organized by the Board will validate the results.
6. Stockholders who vote *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting in absentia for the Annual Stockholders' Meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a stockholder of the Corporation.

II. PARTICIPATION VIA REMOTE COMMUNICATION

1. Stockholders may attend the meeting remotely by viewing the livestream *via* Zoom Meeting. The information necessary to attend the meeting shall be sent to all shareholders who are able to register as required herein.
2. For purposes of quorum, only the following Stockholders shall be counted as present:
 - a. Stockholders who have voted *in absentia* within the period of 29 June 2020 to 3 July 2020;
 - b. Stockholders who have sent their proxies to the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com on or before 3 July 2020; and
 - c. Stockholders who have notified the Corporation of their intention to participate in the meeting by remote communication by sending an email to cic.secretary@romulo.com 3 July 2020.
3. Questions and comments on the items in the Agenda may be sent to investorrelations@cic.ph. Questions or comments received on or before 13 July 2020 may be responded to during the meeting. Any questions not answered during the meeting shall be answered by the Corporation's Investor Relations Office via email or by posting on the Company's website, <https://cicasm2020.cic.ph/>.

ANNEX E

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.


SECRETARY'S CERTIFICATE

I, **JAYSON L. FERNANDEZ**, of legal age, with office address at 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, after being duly sworn in accordance with law, hereby depose and certify that:

1. I am the incumbent Corporate Secretary of **CONCEPCION INDUSTRIAL CORPORATION** (the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with business address at 308 Sen. Gil J. Puyat Avenue, Makati City, Philippines.
2. To the best of my knowledge, none of the following directors and key officers of the Corporation are currently employed by any government office of the Republic of the Philippines:

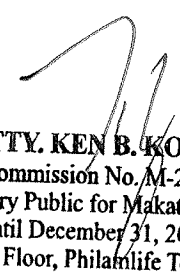
Name	Position
Raul Joseph A. Concepcion	Chairman and President
Renna C. Hechanova-Angeles	Vice-chairman and Treasurer
Raul Anthony A. Concepcion	Director
Jose Ma. A. Concepcion III	Director
Ma. Victoria Herminia C. Young	Director
Raissa C. Hechanova-Posadas	Director
Cesar A. Buenaventura	Independent Director
Alfredo E. Pascual	Independent Director
Rafael C. Hechanova, Jr.	Executive Vice President, Business Development
Maria Victoria A. Betita	Chief Finance Officer
Rajan Komarasu	Director, Business & Industrial Solutions Group
Harold T. Pernikar	Director, Consumer Sales Group
Phillip F. Trapaga	General Manager, Concepcion Midea
Alexander T. Villanueva	Director and General Manager, Manufacturing and Supply Chain Management
Shaun Byrne	President, Cortex Technologies Corp.
Mary Grace Z. Velasco	Vice President, Investor Relations and Corporate Planning
Michael Eric I. Sarmiento	President and COO, Concepcion Business Services, Inc.
Richard L. Parcia	Chief Information Officer
Omar C. Taccad	Chief Compliance Officer and Vice President for Legal, Governance and Compliance
Jayson L. Fernandez	Corporate Secretary
Maria Tara A. Mercado	Assistant Corporate Secretary

IN WITNESS WHEREOF, this certification has been signed on the date indicated in the jurat.


JAYSON L. FERNANDEZ
Corporate Secretary

SUBSCRIBED AND SWORN to before me in Makati City this 18 June 2020. Affiant who is personally known to me, exhibited to me his Passport No. P5655631A issued on 18 January 2018 at the DFA – NCR South.

Doc. No. 420 ;
Page No. 87 ;
Book No. 1 ;
Series of 2020.


ATTY. KEN B. KOGA
Commission No. M-284
Notary Public for Makati City
Until December 31, 2020
21st Floor, Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 64257
PTR No. 8121096 / 03-Jan.-2020 / Makati City
IBP No. 1006606 / LIFETIME / Makati City

D

ANNEX F

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ALFREDO E. PASCUAL, Filipino, of legal age, and a resident of 12 Penelope Lane, Acropolis, Quezon City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Concepcion Industrial Corporation and have been its independent director since 10 July 2019.
2. I am affiliated with the following companies or organizations:

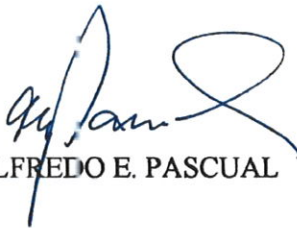
Company/Organization	Position/ Relationship	Period of Service
SM Investments Corporation	Independent Director	2017 - 2020
Megawide Construction Corporation	Independent Director	2018 - 2020
Asiabest Group International Inc.	Independent Director	2019 - 2020
Enderun Colleges, Inc.	Independent Director	2018 - 2020
Institute of Corporate Directors	Board Trustee *	2018 - 2020
Institute for Solidarity in Asia	Board Trustee *	2018 - 2021
Center for Excellence in Governance	Board Trustee *	2018 - 2021
Shareholders' Association of the Philippines	Board Trustee *	2018 - 2021
Makati Rotary Club Foundation, Inc.	Chairman *	2019 - 2020
University of the Philippines Foundation, Inc.	Board Trustee *	2018 - 2020
University of the Philippines (UP) System	Special Adviser to the President *	2017 - 2020
University of the Philippines Los Banos	Adjunct Professor *	2018 - 2020
Philippine Institute for Development Studies	Board Adviser *	2019 - 2020

Note: * without compensation

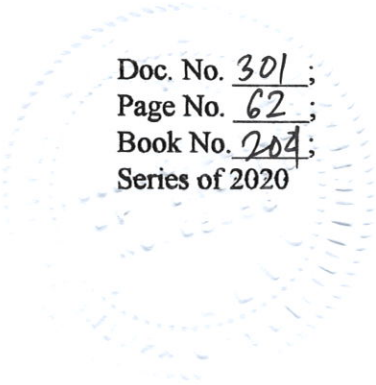
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Concepcion Industrial Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to the directors/officers/substantial shareholders of the Corporation (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. I do not possess any of the grounds for disqualification as a director provided under Recommendation 2.6 of the Code of Corporate Governance for Publicly Listed Companies issued pursuant to the SEC Memorandum Circular No. 19 dated 22 November 2016.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

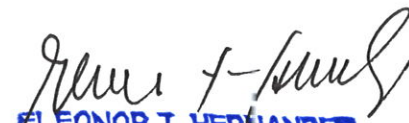
Done, this ^{16th JUN 2020} 15th day of June 2020 at CITY OF MUNTINLUPA


ALFREDO E. PASCUAL

SUBSCRIBED AND SWORN to before me this ^{16th JUN 2020} day of June 2020 at CITY OF MUNTINLUPA, affiant personally appeared before me and exhibited to me his Philippine Passport No. EC6422566 issued at the Department of Foreign Affairs NCR East on 7 January 2016.



Doc. No. 301 ;
Page No. 62 ;
Book No. 204 ;
Series of 2020


ELEONOR T. HERNANDEZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2021
APPT. NO. 20-014; ATTORNEY'S ROLL NO. 38749
PTR NO. 3733252; JAN. 02, 2020; MUNTINLUPACITY
IBP LIFETIME MEMBER NO. 05258; TIN: 135478879
MCLE NO. VI-0008131; 04/23/2018; PHILIPPINES
ENAC27 LIPASEO, JOLLIBEE JUNCTION, ALABANG,
1770 MUNTINLUPACITY, PHILIPPINES

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CESAR A. BUENAVENTURA**, Filipino, of legal age and a resident of 58 McKinley Road, Forbes Park, Makati City after having been duly sworn to in accordance with law do hereby declare that:

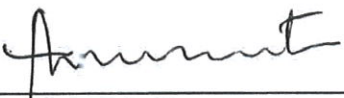
1. I am a nominee for independent director of Concepcion Industrial Corporation and have been its independent director since 27 November 2013.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Buenaventura Echaz & Partners, Inc,	Chairman	2001 to Present
Bloomberry Cultural Foundation	Director	2015 to Present
DM Consunji, Inc.	Director	1995 to Present
DMCI Holdings, Inc	Vice-chairman	1995 to Present
International Container Terminal Services, Inc.	Director	2019 to Present
ICTSI Foundation	Director	2015 to Present
iPeople, Inc.	Director	1991 to Present
Mitsubishi Hitachi Power Systems Philippines, Inc.	Chairman	1995 to Present
Petronenergy Resources Corp.	Director	1995 to Present
Pilipinas Shell Petroleum Corporation	Director	1970 to Present
Pilipinas Shell Foundation, Inc.	Director	1983 to Present
Semirara Mining and Power Corp.	Director	1997 to Present
The Country Club	Director	2015 to Present

3. I am not affiliated with any government agency or Government Owned and Controlled Corporation.
4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Concepcion Industrial Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.


5. I am not related to any director/officer/substantial shareholder of **Concepcion Industrial Corporation** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
6. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Concepcion Industrial Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this day 16 ^{JUN} of June 2020, at Makati City, **CITY OF MUNTINLUPA**


 Cesar A. Buenaventura

SUBSCRIBED AND SWORN to before me this 16 day of June 2020 at CITY OF MUNTINLUPA affiant personally appeared before me and exhibited to me his PAC Power issued at 29 Nov 2018 on DTA.

Doc. No. 300;
 Page No. 61;
 Book No. 204;
 Series of 2020.


ELEONOR T. HERNANDEZ
 NOTARY PUBLIC
 UNTIL DECEMBER 31, 2021
 APPT. NO. 20-014; ATTORNEY'S ROLL NO. 38749
 PTR NO. 3733252; JAN. 02, 2020; MUNTINLUPA CITY
 IBP LIFETIME MEMBER NO. 05258; TIN: 135478879
 MCLE NO. VI-0008131; 04/23/2018; PHILIPPINES
 ENAC 27 L'PASEO, JOLLIBEE JUNCTION, ALABANG,
 1770 MUNTINLUPA CITY, PHILIPPINES