

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)

PRELIMINARY INFORMATION STATEMENT
SEC Form 20-IS
FORM TYPE

Cashier

LCU

DTU

A1997-13456
SEC Reg. No.

Central Receiving Unit

File No.

Document ID

NONE
EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER
(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 (<https://zoom.us/join>) on 14 July 2021 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 July 15, 2020;
4. Report of the Chairman;
5. Approval of the Audited Financial Statements as of 31 December 2020;
6. Election of Directors;
7. Appointment of External Auditors
8. Ratification of All Actions taken by the Board and Management;
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 14 June 2021.

To ensure the health and well-being 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 from **29 June 2021 to 4 July 2021**.

Successful registrants will receive an electronic invitation via email with a complete guide on how to join the meeting. For any registration concerns, please get in touch with the Corporation through cic.secretary@romulo.com.

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 4 July 2021. The proxies and ballots submitted shall be validated on 9 July 2021 at 2:00 p.m. We are not soliciting proxies.

The Information Statement which contains a brief explanation of each item on the agenda and procedures for attending the meeting via remote communication and for casting votes *in absentia*, Management Report, and Annual Report for the year ended 31 December 2020 in SEC Form 17-A are posted on the Corporation's website at <https://cicasm2021.cic.ph> and PSE EDGE.

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 the Notice and Agenda of the Annual Meeting of the Stockholders was published in two newspapers of general circulation (in printed and online format), for two consecutive days, and that the Information Statement, Management Report, and Annual Report for the year ended 31 December 2020 on SEC Form 17-A were posted on PSE EDGE and on the Corporation's website in accordance with SEC Notice dated 16 March 2021. The Corporate Secretary will also certify, based on the number of shares owned by stockholders present or represented by proxy at the meeting or participating thereat via remote communication, 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 by viewing the livestream *via* Zoom Meeting (<https://zoom.us/join>). The information necessary to attend the meeting shall be sent 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 2021 to 4 July 2021. The Registration Procedure for Voting *In Absentia* and Participation via Remote Communication are set out in Annex "D" of the Information Statement.
- d. Stockholders may cast their votes on any item in the agenda for approval through the following modes on or before 4 July 2021:
 - 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 Annex "D" of the Information Statement.
- 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 4 July 2021. 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 9 July 2021.
- 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 all questions submitted prior to and in 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 15 July 2020

The minutes of the meeting held on 15 July 2020 are available at the Corporation's website, <https://cicasm2021.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 2020.

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 2020 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 Herminia C. Young
- vi. Raissa C. Hechanova-Posadas
- vii. Cesar A. Buenaventura (Independent Director)
- viii. Alfredo E. Pascual (Independent Director)
- ix. Justo A. Ortiz (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 2021-2022 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://cicasm2021.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 15 July 2020.

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 14 July 2021 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 15 July 2020**
 - 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 2020**
 - 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 Herminia C. Young			
Raissa C. Hechanova-Posadas			
Cesar A. Buenaventura (Independent Director)			
Alfredo E. Pascual (Independent Director)			
Justo A. Ortiz (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 _____ **Date:** _____

Signature of Stockholder/Authorized Signatory _____

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **4 JULY 2021 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: 14 July 2021

Time: 10:30 am

Place: Virtually via Zoom (<https://zoom.us/join>).

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

The Information Statement may be accessed at the Corporation's website (<https://cicasm2021.cic.ph>) beginning on 22 June 2021.

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 "Company") will be held virtually via Zoom (<https://zoom.us/join>) on 14 July 2021 at 10:30 a.m.

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

The security holders shall be given access to the Information Statement at the Company's website (<https://cicasm2021.cic.ph>) beginning 22 June 2021.

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 Company or nominee for election or director of the Company, 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 14 April 2021 all stockholders at the close of business hours on 14 June 2021 shall be entitled to notice and to vote at the Annual Stockholders' Meeting scheduled on 14 July 2021. 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 Company'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 March 2021 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	22.73%
Common	Horizons Realty, Inc. Pioneer cor. Sheridan St., Mandaluyong City	Stockholder	Filipino	85,545,026 ²	21.00%
Common	Hy-Land Realty and Development Corporation 308 Sen. Gil J. Puyat Ave., Makati City	Stockholder	Filipino	89,387,797 ³	21.95%

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 March 2021:

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	747,060	Direct & Indirect	0.18%
Common	Renna C. Hechanova-Angeles	Vice Chairman/Treasurer	Filipino	3,107,816	Direct	0.76%
Common	Raul Anthony A. Concepcion	Director	Filipino	2, 230,952	Direct & Indirect	0.55%
Common	Ma. Victoria Herminia C. Young	Director	Filipino	1,149,073	Direct & Indirect	0.28%
Common	Jose Ma. A. Concepcion	Director	Filipino	114,056	Direct & Indirect	0.03%
Common	Raissa C. Hechanova-Posadas	Director	Filipino	2,641,630	Direct	0.65%

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	4,109,114	Direct & Indirect	1.01%
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%
Common	Phillip F. Trapaga	General Manager, Concepcion Midea, Inc.	Filipino	12,120	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 Company.

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

The Company is not aware of any transactions, which may have resulted in a change of control in the Company 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 Company 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	59	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 Corporation, Alstra Incorporated, Teko Solutions Asia, Inc.
Chairman and President					
Renna C. Hechanova-Angeles	66	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	51	Filipino	1 year	Since 5 July 2013	Foresight Realty and Development

Director					Corporation, Concepcion Durables, Inc.
Jose Ma. A. Concepcion III	63	Filipino	1 year	Since 5 July 2013	Horizons Realty, Inc. RFM Corporation
Director					
Ma. Victoria Herminia C. Young	62	Filipino	1 year	Since 5 July 2013	Horizons Realty, Inc., RFM Corporation Concepcion Durables, Inc.
Director					
Raissa C. Hechanova-Posadas	61	Filipino	1 year	Since 5 July 2013	Hy-land Realty and Development Corporation RFM Corporation
Director					
Cesar A. Buenaventura	92	Filipino	1 year	Since 27 November 2013	DM Consunji, Inc., DMCI Holdings, Inc., ICTSI, iPeople, Inc., Mitsubishi Hitachi Powers Philippines, Inc., Pilipinas Shell Petroleum Corporation, SEMIRARA Mining and Power Corporation, Manila Water Company, Inc.
Independent Director					
Alfredo E. Pascual	72	Filipino	1 year	Since 10 July 2019	SM Investments Corporation, Megawide Construction Corporation, Asia Best Group International, Inc., Enderun Colleges, Inc.
Independent Director					
Justo A. Ortiz	62	Filipino	1 year	Since 6 November 2020	PETNET, Inc., City Savings Bank, Inc., Union Bank of the Philippines, UBP Investments Corporation, UBX Philippines Corporation, City Savings Bank, Inc., Philippine Payments Management, Inc., Fintech Philippines Association, Inc., Distributed Ledger Technology Association of the Philippines, Inc., The Insular Life Assurance Co., Ltd, and Philippine Trade Foundation, Inc. One Food Group, Aboitiz Equity Ventures
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., Alstra Incorporated
Executive Vice President, Business Development					
Maria Victoria A. Betita	53	Filipino	1 year	Since 14 November 2011	Alstra Incorporated, Concepcion Durables, Inc., Concepcion Midea, Inc., Cortex Technologies
Chief Finance Officer					

					Corp., Concepcion Otis Philippines, Inc.
Rajan Komarasu	55	Singaporean	1 year	Since 11 March 2013	Alstra Incorporated Concepcion Otis Philippines, Inc., Tenex Services, Inc.
Director, Business & Industrial Solutions Group					
Harold T. Pernikar	44	American	1 year	Since 18 February 2013	Concepcion Durables, Inc. and Concepcion Midea, Inc.
Director, Consumer Sales Group					
Phillip F. Trapaga	60	Filipino	1 year	Since 15 July 2013	None
General Manager, Concepcion Midea					
Alexander T. Villanueva	49	Filipino	1 year	Since 15 May 2006	Concepcion Durables, Inc.
Director and General Manager, Manufacturing and Supply Chain Management					
Shaun Byrne	48	Australian	1 year	Since 2 January 2015	Cortex Technologies Corp., Teko Solutions Asia, Inc.
President, Cortex Technologies Corp.					
Michael Eric I. Sarmiento	51	Filipino	1 year	8 March 2020	Concepcion Business Services, Inc.
President and COO, Concepcion Business Services, Inc.					
Richard L. Parcia	45	Filipino	1 year	15 October 2018	None
Chief Information Officer					
Omar C. Taccad	52	Filipino	1 year	9 July 2018	None
Chief Compliance Officer and Vice President for Legal, Governance and Compliance					
Jayson L. Fernandez	51	Filipino	1 year	Since 18 July 2013	Cortex Technologies Corp., Mix Plant, Inc.
Corporate Secretary					
Roxanne Viel C. Santos	36	Filipino	1 year	Since 15 July 2020	Eforce Security Company, inc., Arla Foods Corporation, Wessex Holdings Corporation, Fronteo Philippines, Inc., Moving Up Services, Inc., Alpha Caliber Holdings, Inc., Carmel Akto Holdings, Inc., Play2win Corporation, Magnet Lucky Gaming Corp., Top Gaming Solutions Corp., Micronet Gaming Corporation, Fortune Philippines Gaming Corporation, Lucky Alpha Gaming Corporation, Top Luck Trading Corp.
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 incumbent and/or incoming members of the committees of the Board of Directors, who will be nominated for re-appointment/appointed in the Organizational Meeting of the Board of Directors, following the Annual Meeting of the Stockholders:

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
Justo A. Ortiz
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
Justo A. Ortiz
Raul Joseph A. Concepcion
Renna C. Hechanova-Angeles

(a) Directors, Independent Directors, and Executive Officers

Process and Criteria for Selection of Nominees for Directors

The Board of Directors set 2 June 2021 as the deadline for the submission of nominations for election to the Board of Directors. The Corporate Governance and Nominations Committee screens the nominees for election to the Board of Directors in accordance with the Company's Revised Manual on Corporate Governance. The Corporate Governance and Nominations Committee will assess the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board. In the case of the independent directors, the Corporate Governance and Nominations Committee will review their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Revised Manual of Corporate Governance, By-Laws, the Securities Regulation Code ("SRC"), and the SRC Implementing Rules and Regulation

Nominees for Election at Annual Stockholders' Meeting on 14 July 2021.

The Corporate Governance and Nominations Committee screened the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors. The Final List of Candidates for election to the Board of Directors, who are all incumbent Directors, are as follows:

1. Raul Joseph A. Concepcion
2. Renna C. Hechanova-Angeles
3. Raul Anthony A. Concepcion
4. Jose Ma. A. Concepcion III
5. Ma. Victoria Hermina A. Concepcion-Young
6. Raissa C. Hechanova-Posadas
7. Cesar A. Buenaventura (Independent Director)
8. Alfredo E. Pascual (Independent Director)
9. Justo A. Ortiz (Independent Director)

The Company complied with the guidelines on the nomination and election of independent directors prescribed in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code and the Company's Revised Manual on Corporate Governance.

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:

	2020		2019		2018	
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)
Shareholders						
Rent and utilities	60,666	(2)	52,292	(3)	56,265	(1,110)
Lease of warehouse	42,129	-	53,364	-	45,082	-
Advance Rental	2,730	-	-	-	-	-
Security Deposit	2,671	-	-	-	-	-
Dividend declaration	282,253	-	486,606	-	487,056	-
Reimbursements from shareholders	303	303	-	(1,157)	-	(1,748)
Reimbursements to shareholders	-	(1,157)	-	(1,157)	-	(1,748)
Associate						
Administrative services	21,454	2,728	19,115	1,593	17,878	4,470
Transfer of employees	110	(110)	706	(8,578)	1,962	(7,740)
Transfer of employees	2,537	2,687	1	1,781	2,071	2,071
Purchase of goods, net of return	17,236	(1,877)	223	(20)	787	(20)
Sale of goods	2,773	1,053	232	2,558	17,592	20,674
Product loan	270	-	-	-	-	(40)
Transaction fees	1,030	1,030	-	-	-	-
Reimbursements to associates	164,981	22,617	83,039	44,647	12,294	10,068
Reimbursement from associate	1,225	(4,736)	2,653	(210)	265	(1,061)
Entities under common control						
Rent and utilities	34,119	-	34,372	1	32,494	(2,707)
Entities with common Shareholders						
Sale of goods	-	-	24	-	-	-
Commission income	10,558	3,731	32,895	27,419	25,728	10,567
Reimbursements	-	-	-	-	795	4
Dividend declaration	341,680	-	895,560	-	431,700	-
Purchases, net purchase returns	1,973,683	(514,258)	2,511,901	(318,022)	1,531,012	(376,333)
Collections (Payments) in behalf of a related party	-	(4,331)	54,260	(2,105)	54,260	(4,330)
Royalty/Technical fee	42,697	(29,891)	56,160	(8,049)	51,448	(4,835)
Key management personnel						
Short-term						
Directors' fees	9,412	(9,412)	3,943	3,943	18,558	(18,558)
Salaries and wages	435,561	(60,772)	459,369	(105,307)	523,563	(100,499)
Long-term						

	2020		2019		2018	
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)
Retirement benefit	19,034	(122,007)	13,462	(61,662)	9,863	(101,998)
Retirement plan						
Contributions to the retirement fund	854	-	329	-	-	-
Claims from the retirement fund	25,034	-	29,508	-	21,774	-

(f) Resignation of Directors

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

No director has informed the Company in writing that he/she intends to oppose any action to be taken by the Company at the Special 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 2020:

<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 2018, 2019, 2020 and 2021 (forecast):

	Year	Total ⁽¹⁾ (Amounts are in millions)
CEO and the most highly compensated officers named above		
.....	2018	162.6
	2019	149.1
	2020	153.0
	2021 (est.)	116.8
Aggregate compensation paid to all officers and Directors as a group		
Unnamed		
.....	2018	268.3
	2019	254.4
	2020	249.3
	2021 (est.)	204.2

Note:

⁽¹⁾ includes salary, bonuses and other income.

205Standard Arrangements

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 from the last completed fiscal year 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 2020 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. is the Company's external auditor for calendar year 2020. 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, if any. 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.

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 2020 for each of the professional services rendered by the Group's external auditors are summarized as follows:

NATURE OF AUDIT	FIRM	CIC	CCAC	CDI	COPI	CMIP	CBSI	CTC	TEKO	ALSTRA	TENEX	TOTAL
Dec. 31, 2020 External Audit	PWC	700	850	735	690	460	450	200	65	10	40	4,200
Impairment of Goodwill and Valuation of Intangible Assets report	P&A	-	-	-	400	-	-	-	240	-	-	640
Actuarial Valuation Report	EMZ	14	45	65	25	18	20	18	30	-	-	233
Tax Consultancy	SGV	438	-	-	800	-	-	-	-	-	-	1,238
	ROMULO	240	120	120	-	120	120	-	-	-	-	720
	VACO	-	-	-	-	-	-	-	-	-	-	-
	IGD	-	-	-	-	-	458	-	-	-	-	1,458
TOTAL		1,392	1,015	920	1,915	598	2,048	218	335	10	40	8,489

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 2020 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 Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company 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 Company; and (d) the liquidation or dissolution of the Company.

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 2020. Attached is the Management Report and the Audited Financial Statements for the period ending 31 December 2020, 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 2020.

(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 Company seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and management since 15 July 2020, as follows: (1) election of the officers of the Company, (2) appointment of the members of the Company's committees, (3) amendment of the terms of the Share Buy-Back Program; (4) ratification of Audit and Risk Oversight Committee's approval of the Company's audited financial statements as of 31 December 2020; (5) approval of the Directors and Officers Orientation and Continued Education Policy; (6) appointment of Group Chief Data Privacy Officer; (7) approval of the remuneration of the Chief Executive Officer and the per diem allowance of each director for attendance in the meetings of the Board and Committees of the Board for 2021; (8) renewal of credit facilities with the Bank of the Philippine Islands; (9) setting of the Special Stockholders' Meeting on 6 November 2020 and the Annual Stockholder's Meeting on 14 July 2021; (10) authorizing the holding of the 6 November 2020 Special Stockholders' Meeting and the 2021 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 (11) 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 Company'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 15 July 2020

The Minutes of the Stockholders' Meeting of the Company held on 15 July 2020 (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 at the Company's website.

(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 Corporation'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 2020 Audited Financial Statements and the Management Report

The approval of the 2020 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 15 July 2020	Majority of the votes cast
Approval of the 2020 Financial Statements and Management Report	Majority of the votes cast
Election of Directors	The top nine (9) 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 June 14, 2021 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 4 July 2021.

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 of Directors, 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 Company 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 (<https://zoom.us/join>).

In order for the Company 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 Company by email to cic.secretary@romulo.com on or before 4 July 2021.

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 11th day of June 2021.

CONCEPCION INDUSTRIAL CORPORATION

By:


JAYSON L. FERNANDEZ
Corporate Secretary

ANNEX A

THE CURRENT BOARD OF DIRECTORS OF THE COMPANY WHO WILL ALL BE REELECTED FOR THE 2021-2022 TERM

Name	Position	Date to be Elected To The Board	Citizenship	Age
Raul Joseph A. Concepcion	Chairman	14 July 2021	Filipino	59
Renna C. Hechanova-Angeles	Vice-Chairman & Treasurer	14 July 2021	Filipino	66
Raul Anthony A. Concepcion	Director	14 July 2021	Filipino	51
Jose Ma. A. Concepcion III	Director	14 July 2021	Filipino	63
Ma. Victoria Herminia C. Young	Director	14 July 2021	Filipino	62
Raissa C. Hechanova-Posadas	Director	14 July 2021	Filipino	61
Cesar A. Buenaventura	Independent Director	14 July 2021	Filipino	92
Alfredo E. Pascual	Independent Director	14 July 2021	Filipino	72
Justo A. Ortiz	Independent Director	14 July 2021	Filipino	62

Raul Joseph A. Concepcion, 59 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, 66 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, 51 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, 63 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, 62, 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, 61, 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, 92, 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 DM Consunji, Inc., Mr. Buenaventura likewise holds a directorship position in the boards of International Container Terminal Services, Inc (ICTSI) Semirara Mining and Power Corp., 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, 72, was deemed elected to the Board of the Company on 10 July 2019. 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.

Justo A. Ortiz, 62, Filipino, is a nominee for Independent Director of the Company. Mr. Ortiz serves as Vice Chairman of Union Bank of the Philippines. He holds the position of Chairman and/or Director of various subsidiaries of the Bank: PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation and UBX Philippines Corporation. He is also the Chairman of the following companies: Philippine Payments Management, Inc., Fintech Philippines Association, Inc. and Distributed Ledger Technology Association of the Philippines, Inc. He is a Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Board of Governors of Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Member of Makati Business Club and World Presidents Organization. He was the Chairman of the Board of Union Bank of the Philippines from 2018 to June 2020, Chief Executive Officer from 1993 to 2017. Prior to his stint in the Bank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A. Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa, on December 11, 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

THE KEY OFFICERS AS OF [JUNE 14, 2021]

Position	Name	Citizenship	Age
Chairman, Chief Executive Officer of CIC and President of CCAC	Raul Joseph A. Concepcion	Filipino	59
Vice Chairman and Treasurer	Renna C. Hechanova-Angeles	Filipino	66
President of CDI; Vice Chairman of CDI	Raul Anthony A. Concepcion	Filipino	51
Executive Vice President, Business Development and Corporate Marketing, CIC and CCAC	Rafael C. Hechanova, Jr.	Filipino	62
Chief Finance Officer, CIC and CCAC; CEO of CBSI	Ma. Victoria A. Betita	Filipino	53
President, Alstra Group, CCAC and COPI; CEO and President, COPI; CEO and President, Alstra	Rajan Komarasu	Singaporean	55
President, Consumer Lifestyle Solutions, CCAC, CDI and CMIP; CEO of CDI	Harold Thomas Pernikar, Jr.	American	44
Chief Information Officer	Richard L. Parcia	Filipino	45
President, Product Solutions Division, CCAC and CDI	Alexander T. Villanueva	Filipino	49
CEO of Technology Division (CTC)	Shaun Byrne	Australian	48
President and COO, Concepcion Business Services, Inc.	Michael Eric I. Sarmiento	Filipino	51
Chief Compliance Officer, Vice President for Legal Governance and Compliance	Omar C. Taccad	Filipino	52
Corporate Secretary	Jayson L. Fernandez	Filipino	51
Assistant Corporate Secretary	Roxanne Viel C. Santos	Filipino	36

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., 62 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, 55, 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, 44, 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, 45, 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, 49, 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 48, 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.

Michael Eric I. Sarmiento, 51, 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, SVP & 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, 52, 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, 51, 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.

Roxanne Viel C. Santos, 36, was elected as the Assistant Corporate Secretary of the Corporation on 15 July 2020. She joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 2017 and is an Associate. She graduated from the Ateneo de Manila University School of Law with a Juris Doctor degree in 2016 and was admitted to the Philippine Bar in 2017.

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 16 and 14 years, respectively. *Condura* brand refrigerators received the same award starting 2012. In 2009 and 2010, Carrier was awarded "No. 1 Air Conditioning Brand" by GfK Retail and Technology ("GfK").

For the year ended 31 December 2020, the Company's pro-forma consolidated net sales and services amounted to P10.8 billion and its pro-forma consolidated net income was P0.7 billion and a profit after tax and minority interest of P0.5 billion.

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, 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 at 31 December 2020, CIC has seven major subsidiaries and two associates. For its subsidiaries, the Company owns 60% of CCAC, 100% of CDI, effectively 51% of COPI through its ownership in Alstra, 100% of CBSI, 100% of CTC, 100% of Alstra, and effectively 58% of Teko through its ownership in CTC. For its associates, the Company owns effectively 40% of CMIP through its ownership in CCAC and effectively 49% of Tenex through its ownership in Alstra.

Concepcion-Carrier Air Conditioning Company

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.

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 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

leadership presence in the residential and light commercial (“RLC”) refrigeration market in the Philippines. In 2020, CDI introduced other small home appliances such as rice cookers, grillers, and coffee makers.

Concepcion Midea, Inc. (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.

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.

Concepcion Business Services, Inc. (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. In 2020, CBSI introduced an online platform to allow other subsidiaries to sell directly to consumers (Concepstore).

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 and owning the home. CTC works across the enterprise to help facilitate innovation, and maintain CIC’s position as a market leader.

Alstra, Inc.

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 Solutions Asia, Inc.

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 Services, Inc.

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.

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. 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., approximately 71% 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 both consumer and commercial customers. 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 Kelvinator, Midea, and Toshiba, and Otis* 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, Midea, Otis* 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 Midea, and Otis* 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. In addition, various technology related R&D activities are undertaken by the Cortex subsidiary.

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 1,344 for 2020.

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 and use the management of these risks as a tool to further enhance	Enterprise Risk Management will provide the solid platform that will enable each of the Companies in the Concepcion Group to achieve the following objectives:

	shareholder value through greater competitiveness and an improved capacity to take risks.	<ul style="list-style-type: none"> To establish sustainable competitive advantage <p>To pursue strategic growth opportunities with greater speed, skill and confidence</p>
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 27 November 2013, 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 31 December 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 22 August 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 31 December 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 10 July 2017 and 3 August 2017, respectively. All of the shares issued by virtue of the stock dividend have also been listed on the Exchange.

Properties

The Company owns a parcel of land in Davao City. Other than this, 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 properties and facilities for its air conditioning manufacturing facilities and laboratories from CII under a three-year renewable lease agreement. The agreement was renewed for a three-year term 1 January 2019 to 31 December 2021.

The Company entered into various renewable non-cancellable lease agreements with entities under common shareholdings for the lease of its refrigeration manufacturing facilities and laboratories.

The Company leases all other real properties and facilities for its warehouses, offices and parking spaces from various lessors with lease agreements from one (1) to five (5) years under terms and conditions as agreed with the lessors and are renewable upon mutual agreement of both parties in various dates from 2018 to 2022.

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 Philippine Stock Exchange on 27 November 2013.

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	32.50	25.00
Quarter ended June 2020	28.95	20.00
Quarter ended September 2020	21.95	17.58
Quarter ended December 2020	23.90	18.00

Holders

As of 31 December 2020, there were a total of 26 shareholders of record of the Company's common shares. The total outstanding as of date stood at 401,955,091, of which 21.14% are held by foreign shareholders.

The top 20 shareholders as of 31 March 2021 based on PDTC report are as follows:

	Name of Shareholder	No. of Shares Held	%
1	PCD Nominee Corporation – Filipino	234,518,703	57.58
2	Horizons Realty, Inc.	85,545,026	21.00
3	PCD Nominee Corporation- Non Filipino	85,408,141	20.97
4	Sole Luna Inc	998,963	0.25
5	MACRIC Incorporated	786,669	0.19
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	Joselito Corpus Herrera	500	0
10	Hanson Chua Go	324	0
11	Angelo Decretales Mabuhay	324	0
12	Jesus San Luis Valencia	156	0

13	Gabrielle Claudia F. Herrera	100	0
14	Jaybee C. Baraquel	100	0
15	Nadezhda Iskra Ferranco Herrera	100	0
16	Owen Nathaniel S AU ITF	16	0
17	Cesar A. Buenaventura	3	0
18	Alfred Reiterer	3	0
19	Jose Ma. A. Concepcion III	3	0
20	Raissa Hechanova-Posadas	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 past three years ended December 31 are as follows:

Date declared	Dates paid	Per share	2020	2019	2018
13 May 2020	17 June 2020	0.70	282,253	-	-
3 April 2019	16 May 2019	1.20	-	486,606	-
6 April 2018	18 May 2018	1.20	-	-	487,056

On 6 April 2018, the Company's Board declared cash dividends in the amount of P1.20 per share totaling P487.06 million on all shares of common stock issued and outstanding to shareholders of record as of 23 April 2018, which was paid on 18 May 2018.

On 3 April 2019, the Company's Board declared cash dividends in the amount of P1.20 per share totaling P487.06 million on all shares of common stock issued and outstanding to shareholders of record as of 22 April 2019, which was paid on 16 May 2019.

On 13 May 2020, the Company's Board declared cash dividends in the amount of P0.70 per share totaling P284.02 million on all shares of common stock issued and outstanding to shareholders of record as of 27 May 2020, which was paid on 17 June 2020.

On 10 February 2021, the Company's Board declared cash dividends in the amount of P1.00 per share totaling P401.96 million on all shares of common stock issued and outstanding to shareholders of record as at 12 March 2021, paid on 12 April 2021.

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

Factors affecting the Company's financial and operational results in the full year of 2020

COVID-19: With the enforcement of the mandatory Enhanced Community Quarantine (ECQ) in April that continued until middle of May which was later moved to Modified Enhanced Community Quarantine (MECQ) during May, various aspects

of the business were affected: (1) sales – major business partners had limited business operations or remain closed during the period as very few dealers were able to shift to e-commerce; (2) logistics – during the ECQ, operations shutdown and mobility suffered (3) service – accredited service providers and technicians were unable to provide service during the lockdown; and (4) manufacturing – factory shutdown during ECQ and zero production, with limited operations during the MECQ. General Community Quarantine (GCQ) was later declared on June, July, and August 19 up to the balance of the year. Under GCQ, restrictions on travel to work, travel for leisure, manufacturing, retail operations, restaurants, and transportation were loosened, allowing for a partial recovery of business operations.

Macroeconomic Fundamentals: The Philippine Gross Domestic Product (GDP) resulted to a negative 9.5% in 2020 as a result of the on-going economic disruptions caused by COVID-19. Consumer spending heavily shifted to essentials as revenue streams of consumer contracted from furlough, pay cuts, and job displacements. Demand for consumer durables also shifted due to re-prioritization and deferment of big-ticket expenses. Purchases shifted away from consumer AC's, consumer refrigeration and laundry and went into E-commerce platforms for refrigeration, kitchen, and small domestic appliances.

Construction Sector Developments: Despite the easing of Community Quarantine (CQ), the business activities have seen slow recovery due to limited site accessibility and implementation of COVID-19 precautionary restrictions causing slow conversion of backlogs and delays in project implementation and product fulfillment. A steep drop in new project starts for civil projects, and concept and design for new building projects was experienced during the year.

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 71% of the Company's manufactured cost of sales. Generally, both commodity prices and FX were relatively stable in Q4 with the exception of the price of copper. Challenges arose from material sourcing especially imported raw materials due to port and logistics restrictions.

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		
	2020	2019	2018
Net Sales and Services			
Consumer Lifestyle Solutions	8,152	11,160	10,233
Building & Industrial Solutions	2,585	3,886	3,952
Others	28	20	16
Total	10,765	15,066	14,201
Cost of Sales and Services			
Consumer Lifestyle Solutions	5,198	7,181	6,570
Building & Industrial Solutions	1,623	2,484	2,541
Others	16	15	8
Total	6,837	9,680	9,119
Gross Profit	3,928	5,386	5,082

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 58% 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 31 December 2020	For year ended 31 December 2019	For year ended 31 December 2018
Gross Profit Margin (%)	36.5%	35.7%	35.8%
Profit Before Tax (%)	9.6%	13.8%	15.1%
Net Income Attributable to Shareholders (Php Millions)	470.9	946.8	913.2
Net Income Attributable to Shareholders (% to Sales)	4.4%	6.3%	6.4%

Return on Average Equity (%)	8.9%	18.7%	19.5%
Return on Average Assets (%)	5.5%	12.4%	13.7%
Earnings per Share*	1.2	2.3	2.3

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Debt to Equity Ratio	0.7	0.7	0.6
Asset-to-Equity Ratio	1.7	1.7	1.6
Book Value Per Share*	13.4	12.9	12.0

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
Earnings Per Share	Net Income after Minority Interest/ Average Shares Outstanding
Debt to Equity Ratio	Total Liabilities/Total Equity
Asset-to-Equity Ratio	Total Assets/Total Equity
Book Value Per Share	Shareholder's Equity net of Minority Interest/ Total Shares Outstanding

*Total Number of Shares used is 402,750,699 in 2020, 405,243,218 in 2019 and 405,795,291 in 2018

RESULTS OF OPERATIONS

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

2020 was an unprecedented year. The Philippines was affected by many major external events throughout the year with the Covid-19 virus shutting down our whole business, the whole economy, and people's lives.

Our Covid-19 response was broken down into 3 phases, first was about ensuring the survival of the business, second about restarting the business and third and ongoing is about repivoting the business and adjusting to the new normal.

We were able to restart and repivot the business in the 2nd half of the year. Taking mitigating actions that resulted in a fairly strong performance given the still uncertain environment.

Our focus on the management of receivables and inventory, led to strong balance sheet and cash position.

CIC achieved for the year ended 31 December 2020 P0.7 billion in consolidated income, a 52.0% decline from 2019, with profit after tax after minority interest (PATAMI) at P0.5 billion, a 50.3% decline from 2019. Profit before tax was at P1.0 billion vis-à-vis 2019's P2.1 billion. The decline in earnings was negatively impacted by lower sales volume, manufacturing absorption, and one-timers such as risk provisioning for receivables, inventory, dealer support and warranty.

The results of operations of CIC for the year ended 31 December 2020, posted a 28.5% decline in net sales from 2019, due to weather conditions, and social and economic impact of Covid 19.

The Group focused on recovery through revitalizing brands, accelerate e-commerce presence, adoption of digital initiatives to improve fulfillment and embrace the customer, implementing procedures to adapt in the new normal, improvement of supply chains, and tightening cost measures through both structural and tactical restructuring, and better cash flow management. In H2 2020, the consolidated six-month profit after tax of approximately P1.0 billion, a 2.1% improvement from last year and a significant recovery from H1 results and profit after tax after minority interest (PATAMI) of P0.5 billion, translating to a 9.9% increase from the same period in 2019. This was largely a result of P6.3 billion in reported revenues for the same period as well as cost mitigation measures that the company implemented as a response to the impact of COVID-19. Sales recovery was boosted by a catchup in consumer demand but tempered by slower resumption in the commercial and construction activities.

Net sales and services

For the year ended 31 December 2020, the total consolidated net sales and services was at P10.8 billion, a decline of 28.5% from last year.

The Consumer Lifestyle Solutions (CLS) Division posted a comparative period decrease in sales of 27.0% to P8.2 billion. The decrease in sales was mainly due to the strict community quarantine implemented since March 2020 due to COVID-19. Likewise, though unconsolidated, the growth momentum in the consumer appliance business over the past year was also derailed. While a strong recovery was experienced during the 3rd quarter due largely to pent-up demand, and the easing of quarantine restrictions to GCQ the demand softened during the 4th quarter as consumers prepared for a slower economic recovery.

The Alstra Division consisting of commercial AC, elevators and escalators posted a comparative year decrease in sales of 33.5% to P2.6 billion. 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 first half of 2020 with softness spilling over in H2 2020 due to COVID-19. The commercial pipelines remained healthy, but there were delays in awarding and fulfillment.

Gross Profit and Margins

CIC registered consolidated gross profit of P3.9 billion for the year ended 31 December 2020, a 27.1% decline from last year. The decline was mainly attributable to lower sales in H1 2020.

Operating Expenses

CIC's total operating expenses were close to P3.0 billion for the year ended 2020, a 11.9% lower over last year, taking into effect the control measures implemented to manage expenses.

Other Operating Income and Finance Costs

Other operating income of P0.08 billion was mainly related to FX revaluation gains, commission and other income, and interest income from bank deposits and short-term placements. The finance cost of P0.03 billion was composed of interest expense on short-term borrowings and amortization of lease liabilities.

FINANCIAL CONDITION

As at 31 December 2020 compared with as at 31 December 2019

Consolidated total assets as at 31 December 2020 was at P12.7 billion, up by P0.5 billion from end of 2019 balance of P12.1 billion. Marked increases in assets were from cash and cash equivalents, trade and other receivables, contract assets, and property and equipment, net of marked decrease in inventories.

As at 31 December 2020, consolidated net cash position was up by P1.4 billion to P3.0 billion. Trade and other receivables declined by P0.5 billion to P3.6 billion from end of 2020.

The increase in cash and cash equivalents and the decrease in trade receivables and other receivables were primarily due to continuous improvement of collection efforts.

Total liabilities as at 31 December 2020 amounted to P5.4 billion, an increase of P0.5 billion from 2019 mainly driven by trade payables and other liabilities due to higher inventory purchases in H2 2020.

RESULTS OF OPERATIONS

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

CIC achieved for the year ended 31 December 2019 P1.43 billion in consolidated income, a 1.9% decline from 2018, with profit after tax after minority interest (PATAMI) at P0.9 billion, 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 31 December 2019 closed on a positive note with net sales experiencing a growth of 6%, which improves to 13% when sales attributable to Midea was 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 P0.6 billion and PATAMI of P0.5 billion, 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 31 December 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 31 December 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 P0.07 billion was mainly related to FX revaluation gains due to better FX fluctuations in 2019 compared to prior year.

FINANCIAL CONDITION

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

Consolidated total assets as at 31 December 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 31 December 2019, consolidated net cash position was up by P0.3 billion to P1.61 billion. Trade and other receivables were up by P0.1 billion 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 31 December 2019 amounted to P4.87 billion, a net increase of P0.6 billion 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 31 December 2018 compared with year ended 31 December 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 P0.9 billion. 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 31 December 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 P0.02 billion was mainly related to commission income from related parties offset by FX revaluation losses.

FINANCIAL CONDITION

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

Consolidated total assets as at 31 December 2018 was at P11 billion, up by P0.5 billion 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 P0.1 billion 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 P0.4 billion 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 P0.3 billion in property and equipment for various machineries and equipment for the factory and the new ERP. Total of P0.9 billion cash was also used for distribution of profits to shareholders.

WORKING CAPITAL

As of 31 December 2020, 2019 and 2018, the Company's net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), were P5.4 billion, P5.2 billion and P5.0 billion, respectively, representing working capital sufficiency.

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

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		
	2020	2019	2018
Net cash flows provided by (used in) operating activities	2,240.9	2,748.3	(82.7)
Net cash flows used in investing activities	98.4	375.6	317.3
Net cash flows used in financing activities	760.9	2,091.6	514.3
Net increase in cash and cash equivalents	1,381.6	281.1	914.2

The net cash flows provided by operating activities for the year ended 2020 were at P2.2 billion composed of income before provision for income tax of P1.0 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 2020, net cash flows used in investing activities were at P0.1 billion, mainly for the acquisition of property and equipment and increase in short-term investments.

Net cash flows used in financing activities were at P0.7 billion in 2020, relating to dividend payout, short-term borrowings, lease liabilities and acquisition of treasury shares.

INDEBTEDNESS

The Company did not have long-term borrowings as of 31 December 2020.

CAPITAL EXPENDITURES

The Company makes regular capital expenditures annually to support its business goals and objectives, investing in the on-going upgrade, expansion and maintenance of its property and equipment relating primarily to machinery and equipment, office equipment and leasehold and building improvements. 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's 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.

Significant Subsequent Events

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 12 March 2020 for strict implementation on all locations and field offices. Further, the Group has postponed mass events and marketing activities and scaled down its operations appropriately.

On the business impact, the Group's suppliers highlighted potential resource issue since manpower (both 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 for the year 2020 nor impact the Group's ability to meet their obligations as reflected in the 2020 financial statements.

CIC declared a cash dividend effective record date of 12 March 2021 and payable on 12 April 2021 (Php 1 per share, 85% dividend payout).

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 31 May 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 3 April 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.

###

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.

ANNEX C

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	1	9	9	7	-	1	3	4	5	6
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COMPANY NAME

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		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S			

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

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																				

Form Type

A	F	S		
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Department requiring the report

S	E	C		
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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's Email Address

sec_cic@cic.ph

Company's Telephone Number/s

87721819

Mobile Number

+639178424881

No. of Stockholders

26

Annual Meeting (Month/Day)

Third Wed. of July

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person

Omar C. Taccad

Email Address

omar.taccad@cic.ph

Telephone Number/s

87721819

Mobile Number

+639985843327

CONTACT PERSON'S ADDRESS

Km. 20 East Service Road South Super Highway, Alabang, Muntinlupa City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 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 Stock | 407,263,891
(as of December 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 P2.5 billion. The price used for this computation is the closing price as of March 31, 2021 which is P20.80

TABLE OF CONTENTS

Part I - BUSINESS AND GENERAL INFORMATION	03
Item 1 Business	03
Item 2 Properties	05
Item 3 Legal Proceedings	06
Item 4 Submission of Matters to a Vote of Security Holders	06
Part II - OPERATIONAL AND FINANCIAL INFORMATION	06
Item 5 Market for Issuer's Common Equity and Related Stockholder	06
Item 6 Management Discussion and Analysis or Plan of Operation	08
Item 7 Financial Statements	17
Item 8 Information on Independent Accountant and Other Related Matters	17
Part III - CONTROL AND COMPENSATION INFORMATION	18
Item 9 Directors and Executive Officers of the Issuer	18
Item 10 Executive Compensation	26
Item 11 Security Ownership of Certain Beneficial Owners and Management	27
Item 12 Certain Relationships and Related Transactions	29
Part IV - CORPORATE GOVERNANCE	30
Item 13 Corporate Governance	30
Part V - EXHIBITS AND SCHEDULES	32
Item 14 Exhibits and Reports on SEC Form 17-C	32
SIGNATURES	33
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	34

Part I - BUSINESS AND GENERAL INFORMATION

Item 1 Business

A. Description of the 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 16 and 14 years, respectively. *Condura* brand refrigerators received the same award starting 2012. In 2009 and 2010, Carrier was awarded “No. 1 Air Conditioning Brand” by GfK Retail and Technology (“GfK”).

For the year ended December 31, 2020, the Company’s pro-forma consolidated net sales and services amounted to P10.8 billion and its pro-forma consolidated net income was P0.7 billion and a profit after tax and minority interest of P0.5 billion.

(1) Business Development

The Company has been in the industry for 59 years primarily through Concepcion Industries Inc. (“CII”). CII was established in 1962 by Jose Concepcion Sr. and obtained a license from Carrier International in the same year to offer Carrier brand air conditioners in the Philippines. In 1977, a license for Kelvinator was obtained. In 1987, the Condura brand was introduced.

In 1992 and 1998, CII opened its air conditioning and commercial refrigeration factories, respectively, in the Light Industry and Science Park in Cabuyao, Laguna, Philippines. In 1997, CAC was formed as a subsidiary of CII, and Carrier Air Conditioning Philippines, Inc. (“CACPI”) and CAC formed CCAC, a joint venture for the production of air conditioning units. The following year, CII opened its second factory in the Light Industry and Science Park for the manufacturing of refrigeration equipment. In 2006, CDI was incorporated to manufacture, assemble, export, retail and trade refrigeration equipment. In 2009, CAC became a holder of majority interest in CCAC. The following year, CAC, through its ownership interest in CCAC, acquired the business of Carrier Linde Refrigeration through an asset purchase.

Through a restructuring in 2013, CII’s ownership interest in CAC was transferred to the parent companies Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc. On May 8, 2013, CAC purchased CDI from CII. On June 20, 2013, CAC was renamed Concepcion Industrial Corporation. On October 9, 2013, the Company’s application for listing of its entire 700 million shares was approved by the Philippine Stock Exchange (PSE) that was followed by its formal listing and commencement of trading on November 27, 2013. On November 20, 2013, CIC and CCAC formed a joint venture with Midea Electric Trading (Singapore) Co. Pte. Ltd. (“Midea”) to expand its consumer offering to include other consumer white goods and on March 28, 2014, CIC through CCAC purchased effectively 51% share in Otis Philippines (now named COPI). In March 2016, CBSI was incorporated primarily to consolidate the back-office support services of the Company and its subsidiaries. In June 2017, CIC formed CTC. This new subsidiary will develop new technologies relating to consumer appliances and commercial systems. In October 2018, CIC formed Alstra primarily to carry on business as a holding company. In October 2018, CTC entered into a stock purchase and shareholders agreement for the purchase of shares in Teko. In April 2019, Tenex, a joint venture company of Alstra and Mr. Joey P. Penaflor, was formed and is positioned to provide HVAC installation, repairs and maintenance services to commercial and business establishments. In August 2019, CCAC transferred its shares of stock in COPI to Alstra and Otis Elevator Company (Philippines), Inc. effectively giving 51% Alstra ownership of COPI’s issued and outstanding capital stock.

(2) Business of Issuer

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, 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 Associates

As at December 31, 2020, CIC has seven major subsidiaries and two associates. For its subsidiaries, the Company owns 60% of CCAC, 100% of CDI, effectively 51% of COPI through its ownership in Alstra, 100% of CBSI, 100% of CTC, 100% of Alstra, and effectively 58% of Teko through its ownership in CTC. For its associates, the Company owns effectively 40% of CMIP through its ownership in CCAC and effectively 49% of Tenex through its ownership in Alstra.

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 leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines. In 2020, CDI introduced other small home appliances such as rice cookers, grillers, and coffee makers.

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. In 2020, CBSI introduced an online platform to allow other subsidiaries to sell directly to consumers (Concepstore).

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.

Item 2 Properties

The Company owns a parcel of land in Davao City. Other than this, 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 properties and facilities for its air conditioning manufacturing facilities and laboratories from CII under a three-year renewable lease agreement. The agreement was renewed for a three-year term January 1, 2019 to December 31, 2021.

The Company entered into various renewable non-cancellable lease agreements with entities under common shareholdings for the lease of its refrigeration manufacturing facilities and laboratories.

The Company leases all other real properties and facilities for its warehouses, offices and parking spaces from various lessors with lease agreements from one (1) to five (5) years under terms and conditions as agreed with the lessors and are renewable upon mutual agreement of both parties in various dates from 2018 to 2022.

Item 3 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.

Item 4 Submission of Matters to a Vote of Security Holders

Except for matters taken up during stockholders’ meetings, there was no other matter submitted to a vote of security holders during the period covered by this report.

Part II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5 Market for Issuer’s Common Equity and Related Stockholder

(1) Market Information

The Company’s common shares were officially listed and first traded at the Philippine Stock Exchange on November 27, 2013.

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

<u>(Philippine Peso)</u>	<u>High</u>	<u>Low</u>
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	32.50	25.00
Quarter ended June 2020	28.95	20.00
Quarter ended September 2020	21.95	17.58
Quarter ended December 2020	23.90	18.00

(2) Holders

As of December 31, 2020, there were a total of 26 shareholders of record of the Company's common shares. The total outstanding as of said date stood at 401,955,091, of which 21.14% are held by foreign shareholders

The top 20 shareholders as at December 31, 2020 based on PDTC report are as follows:

	Name of Shareholder	No. of Shares Held	%
1	PCD Nominee Corporation - Filipino	233,838,373	57.42
2	PCD nominee Corporation - Non-Filipino	86,088,471	21.14
3	Horizons Realty, Inc.	85,545,026	21.00
4	Sole Luna Inc.	998,963	0.25
5	Macric Incorporated	786,669	0.19
6	Gemiliano S. Manalili &/or Alma B. Manalili	2,400	0.00
7	John T. Lao	1,560	0.00
8	Mary Joan Ilao- Ante	780	0.00
9	Joselito Corpus Herrera	500	0.00
10	Hanson Chua Go	324	0.00
11	Angelo Decretales Mabunay	324	0.00
12	Jesus San Luis Valencia	156	0.00
13	Gabrielle Claudia F. Herrera	100	0.00
14	Jaybee C. Baraquel	100	0.00
15	Nadezhda Iskra Ferranco Herrera	100	0.00
16	Owen Nathaniel S. AU ITF: Li Marcus AU	16	0.00
17	Cesar A. Buenaventura	3	0.00
18	Alfred Reiterer	3	0.00
19	Jose Ma. A. Concepcion III	3	0.00
20	Raissa Hechanova-Posadas	3	0.00

(3) 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 past three years ended December 31 are as follows:

Date declared	Dates paid	Per share	2020	2019	2018
May 13, 2020	June 17, 2020	0.70	282,253	-	-
April 3, 2019	May 16, 2019	1.20	-	486,606	-
April 6, 2018	May 18, 2018	1.20	-	-	487,056

On April 6, 2018, the Company's Board declared cash dividends in the amount of P1.20 per share totaling P487.06 million on all shares of common stock issued and outstanding to shareholders of record as of 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 on all shares of common stock issued and outstanding to shareholders of record as of 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 on all shares of common stock issued and outstanding to shareholders of record as of May 27, 2020, which was paid on June 17, 2020.

On February 10, 2021, the Company's Board declared cash dividends in the amount of P1.00 per share totaling P401.96 million on all shares of common stock issued and outstanding to shareholders of record as at March 12, 2021, paid on April 12, 2021.

(4) Recent Sales of Unregistered Securities

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

Item 6 Management Discussion and Analysis or Plan of Operation

The following information relates to the Company's Consolidated Financial Statements as of December 31, 2020, 2019 and 2018, and for the three years ended December 31, 2020, 2019, and 2018 as audited by Isla Liana & 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 2020

COVID-19: With the enforcement of the mandatory Enhanced Community Quarantine (ECQ) in April that continued until middle of May which was later moved to Modified Enhanced Community Quarantine (MECQ) during May, various aspects of the business were affected: (1) sales – major business partners had limited business operations or remain closed during the period as very few dealers were able to shift to e-commerce; (2) logistics – during the ECQ, operations shutdown and mobility suffered (3) service – accredited service providers and technicians were unable to provide service during the lockdown; and (4) manufacturing – factory shutdown during ECQ and zero production, with limited operations during the MECQ. General Community Quarantine (GCQ) was later declared on June, July, and August 19 up to the balance of the year. Under GCQ, restrictions on travel to work, travel for leisure, manufacturing, retail operations, restaurants, and transportation were loosened, allowing for a partial recovery of business operations.

Macroeconomic Fundamentals: The Philippine Gross Domestic Product (GDP) resulted to a negative 9.5% in 2020 as a result of the on-going economic disruptions caused by COVID-19. Consumer spending heavily shifted to essentials as revenue streams of consumer contracted from furlough, pay cuts, and job displacements. Demand for consumer durables also shifted due to re-prioritization and deferment of big-ticket expenses. Purchases shifted away from consumer AC's, consumer refrigeration and laundry and went into E-commerce platforms for refrigeration, kitchen, and small domestic appliances.

Construction Sector Developments: Despite the easing of Community Quarantine (CQ), the business activities have seen slow recovery due to limited site accessibility and implementation of COVID-19 precautionary restrictions causing slow conversion of backlogs and delays in project implementation and product fulfillment. A steep drop in new project starts for civil projects, and concept and design for new building projects was experienced during the year.

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 71% of the Company's manufactured cost of sales. Generally, both commodity prices and FX were relatively stable in

Q4 with the exception of the price of copper. Challenges arose from material sourcing especially imported raw materials due to port and logistics restrictions.

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		
	2020	2019	2018
Net Sales and Services			
Consumer Lifestyle Solutions	8,152	11,160	10,233
Building & Industrial Solutions	2,585	3,886	3,952
Others	28	20	16
Total	10,765	15,066	14,201
Cost of Sales and Services			
Consumer Lifestyle Solutions	5,198	7,181	6,570
Building & Industrial Solutions	1,623	2,484	2,541
Others	16	15	8
Total	6,837	9,680	9,119
Gross Profit	3,928	5,386	5,082

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 58% 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, 2020	For year ended December 31, 2019	For year ended December 31, 2018
Gross Profit Margin (%)	36.5%	35.7%	35.8%
Profit Before Tax (%)	9.6%	13.8%	15.1%
Net Income Attributable to Shareholders (Php Millions)	470.9	946.8	913.2
Net Income Attributable to Shareholders (% to Sales)	4.4%	6.3%	6.4%
Return on Average Equity (%)	8.9%	18.7%	19.5%
Return on Average Assets (%)	5.5%	12.4%	13.7%
Earnings per Share*	1.2	2.3	2.3

	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Debt to Equity Ratio	0.7	0.7	0.6
Asset-to-Equity Ratio	1.7	1.7	1.6
Book Value Per Share*	13.4	12.9	12.0

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
Earnings Per Share	Net Income after Minority Interest/ Average Shares Outstanding
Debt to Equity Ratio	Total Liabilities/Total Equity
Asset-to-Equity Ratio	Total Assets/Total Equity
Book Value Per Share	Shareholder's Equity net of Minority Interest/ Total Shares Outstanding

**Total Number of Shares used is 402,750,699 in 2020, 405,243,218 in 2019 and 405,795,291 in 2018*

RESULTS OF OPERATIONS

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

2020 was an unprecedented year. The Philippines was affected by many major external events throughout the year with the Covid-19 virus shutting down our whole business, the whole economy, and people's lives.

Our Covid-19 response was broken down into 3 phases, first was about ensuring the survival of the business, second about restarting the business and third and ongoing is about repivoting the business and adjusting to the new normal.

We were able to restart and repivot the business in the 2nd half of the year. Taking mitigating actions that resulted in a fairly strong performance given the still uncertain environment.

Our focus on the management of receivables and inventory, led to strong balance sheet and cash position.

CIC achieved for the year ended December 31, 2020 P0.7 billion in consolidated income, a 52.0% decline from 2019, with profit after tax after minority interest (PATAMI) at P0.5 billion, a 50.3% decline from 2019. Profit before tax was at P1.0 billion vis-à-vis 2019's P2.1 billion. The decline in earnings was negatively impacted by lower sales volume, manufacturing absorption, and one-timers such as risk provisioning for receivables, inventory, dealer support and warranty.

The results of operations of CIC for the year ended December 31, 2020, posted a 28.5% decline in net sales from 2019, due to weather conditions, and social and economic impact of Covid 19.

The Group focused on recovery through revitalizing brands, accelerate e-commerce presence, adoption of digital initiatives to improve fulfilment and embrace the customer, implementing procedures to adapt in the new normal, improvement of supply chains, and tightening cost measures through both structural and tactical restructuring, and better cash flow management. In H2 2020, the consolidated six-month profit after tax of approximately P1.0 billion, a 2.1% improvement from last year and a significant recovery from H1 results and profit after tax after minority interest (PATAMI) of P0.5 billion, translating to a 9.9% increase from the same period in 2019. This was largely a result of P6.3 billion in reported revenues for the same period as well as cost mitigation measures that the company implemented as a response to the impact of COVID-19. Sales recovery was boosted by a catchup in consumer demand but tempered by slower resumption in the commercial and construction activities.

Net sales and services

For the year ended December 31, 2020, the total consolidated net sales and services was at P10.8 billion, a decline of 28.5% from last year.

The Consumer Lifestyle Solutions (CLS) Division posted a comparative period decrease in sales of 27.0% to P8.2 billion. The decrease in sales was mainly due to the strict community quarantine implemented since March 2020 due to COVID-19. Likewise, though unconsolidated, the growth momentum in the consumer appliance business over the past year was also derailed. While a strong recovery was experienced during the 3rd quarter due largely to pent-up demand, and the easing of quarantine restrictions to GCQ the demand softened during the 4th quarter as consumers prepared for a slower economic recovery.

The Alstra Division consisting of commercial AC, elevators and escalators posted a comparative year decrease in sales of 33.5% to P2.6 billion. 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 first half of 2020 with softness spilling over in H2 2020 due to COVID-19. The commercial pipelines remained healthy, but there were delays in awarding and fulfillment.

Gross Profit and Margins

CIC registered consolidated gross profit of P3.9 billion for the year ended December 31, 2020, a 27.1% decline from last year. The decline was mainly attributable to lower sales in H1 2020.

Operating Expenses

CIC's total operating expenses were close to P3.0 billion for the year ended 2020, a 11.9% lower over last year, taking into effect the control measures implemented to manage expenses.

Other Operating Income and Finance Costs

Other operating income of P0.08 billion was mainly related to FX revaluation gains, commission and other income, and interest income from bank deposits and short-term placements. The finance cost of P0.03 billion was composed of interest expense on short-term borrowings and amortization of lease liabilities.

FINANCIAL CONDITION

As at December 31, 2020 compared with as at December 31, 2019

Consolidated total assets as at December 31, 2020 was at P12.7 billion, up by P0.5 billion from end of 2019 balance of P12.1 billion. Marked increases in assets were from cash and cash equivalents, trade and other receivables, contract assets, and property and equipment, net of marked decrease in inventories.

As at December 31, 2020, consolidated net cash position was up by P1.4 billion to P3.0 billion. Trade and other receivables declined by P0.5 billion to P3.6 billion from end of 2020.

The increase in cash and cash equivalents and the decrease in trade receivables and other receivables were primarily due to continuous improvement of collection efforts.

Total liabilities as at December 31, 2020 amounted to P5.4 billion, an increase of P0.5 billion from 2019 mainly driven by trade payables and other liabilities due to higher inventory purchases in H2 2020.

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 P0.9 billion, 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 was 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 P0.6 billion and PATAMI of P0.5 billion, 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 P0.07 billion 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 P0.3 billion to P1.61 billion. Trade and other receivables were up by P0.1 billion 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 P0.6 billion 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 P0.9 billion. 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 P0.02 billion 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 P0.5 billion 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 P0.1 billion 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 P0.4 billion 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 P0.3 billion in property and equipment for various machineries and equipment for the factory and the new ERP. Total of P0.9 billion cash was also used for distribution of profits to shareholders.

WORKING CAPITAL

As of December 31, 2020, 2019 and 2018, the Company's net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), were P5.4 billion, P5.2 billion and P5.0 billion, respectively, representing working capital sufficiency.

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

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		
	2020	2019	2018
Net cash flows provided by (used in) operating activities	2,240.9	2,748.3	(82.7)
Net cash flows used in investing activities	98.4	375.6	317.3
Net cash flows used in financing activities	760.9	2,091.6	514.3
Net increase in cash and cash equivalents	1,381.6	281.1	914.2

The net cash flows provided by operating activities for the year ended 2020 were at P2.2 billion composed of income before provision for income tax of P1.0 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 2020, net cash flows used in investing activities were at P0.1 billion, mainly for the acquisition of property and equipment and increase in short-term investments.

Net cash flows used in financing activities were at P0.7 billion in 2020, relating to dividend payout, short-term borrowings, lease liabilities and acquisition of treasury shares.

INDEBTEDNESS

The Company did not have long-term borrowings as of December 31, 2020.

CAPITAL EXPENDITURES

The Company makes regular capital expenditures annually to support its business goals and objectives, investing in the on-going upgrade, expansion and maintenance of its property and equipment relating primarily to machinery and equipment, office equipment and leasehold and building improvements. 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's 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.

Significant Subsequent Events

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 on all locations and field offices. Further, the Group has postponed mass events and marketing activities and scaled down its operations appropriately.

On the business impact, the Group's suppliers highlighted potential resource issue since manpower (both 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 for the year 2020 nor impact the Group's ability to meet their obligations as reflected in the 2020 financial statements.

CIC declared a cash dividend effective record date of March 12, 2021 and payable on April 12, 2021 (Php 1 per share, 85% dividend payout).

Item 7 Financial Statements

The consolidated financial statements of the Company are filed as part of this Form 17-A (please refer to the Index to Financial Statements and Supplementary Schedules on page 33.

Item 8 Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

The aggregate fees billed in 2020 for each of the professional services rendered by the Group's external auditors are summarized as follows:

NATURE OF AUDIT	FIRM	CIC	CCAC	CDI	COPI	CMIP	CBSI	CTC	TEKO	ALSTRA	TENEX	TOTAL
Dec. 31, 2020 External Audit	PWC	700	850	735	690	460	450	200	65	10	40	4,200
Impairment of Goodwill and Valuation of Intangible Assets report	P&A	-	-	-	400	-	-	-	240	-	-	640
Actuarial Valuation Report	EMZ	14	45	65	25	18	20	18	30	-	-	233
Tax Consultancy	SGV	438	-	-	800	-	-	-	-	-	-	1,238
	ROMULO	240	120	120	-	120	120	-	-	-	-	720
	VACO	-	-	-	-	-	-	-	-	-	-	-
	IGD	-	-	-	-	-	458	-	-	-	-	1,458
TOTAL		1,392	1,015	920	1,915	598	2,048	218	335	10	40	8,489

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

The Company's Audit Committee 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 Company's Board meeting in April of the following year, the external auditor presents the audited financial statements and accompanying notes to the Board for notation in its April meeting, in time for tax filing in April.

(2) Changes in the Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes and disagreements with Isla Lipana & Co., the Company's external auditor, on accounting and financial disclosure.

Part III - CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Issuer

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

(a) Directors

Board of Directors and Senior Management

In 2020, CIC amended its articles of incorporation to increase the number of Board members to 9 with an addition of a third independent board member. Pursuant to the Company's amended articles of incorporation, the Board now consists of nine members, of which three are independent directors. The Board holds office for a one-year period and until their successors are elected and qualified in accordance with the By Laws. The table below sets forth certain information regarding the members of the Board as of the date of this Report.

Name	Age	Position	Citizenship
Raul Joseph A. Concepcion	59	Chairman	Filipino
Renna C. Hechanova- Angeles	66	Vice Chairman and Treasurer	Filipino
Raul Anthony A. Concepcion	51	Director	Filipino
Jose Ma. A. Concepcion III	63	Director	Filipino
Ma. Victoria Herminia C. Young	62	Director	Filipino
Raissa C. Hechanova-Posadas	61	Director	Filipino
Cesar A. Buenaventura	92	Independent Director	Filipino
Alfredo E. Pascual	72	Independent Director	Filipino
Justo A. Ortiz	62	Independent Director	Filipino

The business experience of each of the directors is set forth below.

Raul Joseph A. Concepcion
Chairman

Mr. Raul Joseph A. Concepcion is the Chairman of the Board and Chief Executive Officer of the Company since 2008. He is also the President of CCAC and of CII 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
Vice Chairman and Treasurer

Ms. Renna C. Hechanova-Angeles is the Vice Chairman of the Board and the Treasurer of the Company. 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 CII, Corporate Secretary of Republic Commodities Corporation ("RCC"), and Executive Vice President and Corporate Secretary of Concepcion CII. She is also the Corporate Secretary of Hyland Realty & Development Corp. Ms. Hechanova-Angeles holds a B.S. Commerce, Major in Management degree from the Assumption College.

Raul Anthony A. Concepcion

Mr. Raul Anthony A. Concepcion is a Director of the Board of the Company. He is also the President and Chief Operations Officer

Director

of Contel Communications, Vice President of the joint venture company between Ayala Land, Inc. and CII., 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

Director

Mr. Jose Ma. A. Concepcion III is a Director of the Board of the Company. 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 concurrently the special adviser to the President of the Republic of the Philippines. He is also the co-chairman of the agri-business and food committee of Philippine Chamber of Commerce and Industry ("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

Director

Ms. Ma. Victoria Herminia C. Young is a Director of the Board of the Company. 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 Guess College.

Raissa C. Hechanova-Posadas
Director

Ms. Raissa C. Hechanova-Posadas is a Director of the Board of the Company. 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).

Cesar A. Buenaventura
Independent Director

Mr. Cesar A. Buenaventura is an Independent Director of the Board of the Company. 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 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
Independent Director

Mr. Alfredo E. Pascual is an Independent Director of the Board of the Company. Mr. Pascual finished his six-year term as President of the University of the Philippines (UP) from 2011 to 2017. 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.

Justo A. Ortiz
Independent Director

Mr. Justo A. Ortiz is an Independent Director of the Board of the Company. Mr. Ortiz serves as Vice Chairman of Union Bank. He holds the position of Chairman and/or Director of various subsidiaries of the Bank: PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation and UBX Philippines Corporation. He is also the Chairman of the following companies: Philippine Payments Management, Inc. Fintech Philippines Association, Inc. and Distributed Ledger Technology Association of the Philippines, Inc. He is a Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Board of Governors of Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Member of Makati Business Club and World Presidents

Organization. He was the Chairman of the Board of Union Bank from 2018 to June 2020. Chief Executive Officer from 1993 to 2017. Prior to his stint in the Bank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A. Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa on December 11, 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

The Board has conferred the title of Director Emeritus to three key personalities who have made significant contributions to the growth of the Company's air conditioning and refrigeration businesses over the years. These honorary directors essentially function as senior executive advisers to the Board, drawing from their vast experience in holding leadership roles in Philippine business and industry and socio-civic organizations.

Raul T. Concepcion
Chairman Emeritus

Mr. Raul T. Concepcion is Chairman Emeritus of the Board of the Company. He concurrently serves as the Chairman and CEO of both CCAC and CDI as well as Chairman of Contel Communications, GOV'T WATCH, an independent oversight on the concerns of the Filipino consumer, and Buy Philippine Made Movement. Mr. Concepcion is also the Chairman Emeritus of the Federation of Philippine Industries, Vice President for trade of PCCI and a Trustee of the Carlos P. Romulo Foundation. He is a Member of various distinguished organizations such as the Makati Business Club, Manila Overseas Press Club, Rotary Club of Makati, Hero Foundation and MAP. Mr. Concepcion holds a B.S. Accountancy degree from the De La Salle University and an Executive Master of Business Administration degree from the University of California at Los Angeles. The degree of Doctor of Management Science (Honoris Causa) has also been conferred on him by the Technological Institute of the Philippines.

Rafael G. Hechanova, Sr.
Director Emeritus

Mr. Rafael G. Hechanova, Sr. is a Director Emeritus of the Board of the Company. He is also the Chief Executive Officer and President of Hyland Realty & Development Corp. Mr. Hechanova served as the Chairman of the Board of Directors of RFM Corporation from 1996 to 1998, and served in various positions in the credit and collection, treasury department of CIL. Other notable positions previously held by Mr. Hechanova include Member (1967), President (1972-1973), District Governor of D-3820 (1979-1980), and Director (1996-1998) of Rotary International as well as President of the Manila Golf and Country Club in 1971, the Manila Polo Club in 1991, and the Manila International and Commercial Athletic Association from 1974 to 1977. Mr. Hechanova holds a B.S. Architecture degree from the University of Santo Tomas.

Jose S. Concepcion, Jr.
Director Emeritus

Mr. Jose S. Concepcion, Jr. is a Director Emeritus of the Board of the Company. He concurrently serves as Chairman of the Board of RFM Corporation, Chairman and President of RFM Foundation, Inc., Chairman and CEO of SWIFT Foods Inc., Vice Chairman for Asia of the Non-Aligned Movement ("NAM") Business Council, President for ASEAN Affairs of PCCI, Barangay Chairman of Barangay Forbes Park (since 1997), Founding Chairman of the National Citizens' Movement for Free Elections ("NAMFREL"), Chairman of the Foundation for Lay Education on Heart Disease, special resource person of the United Coconut Planters Bank Finance

Development (“UCPB CIIF”) on the utilization of the coco levy fund, President of the Gusi Peace Prize Awards Foundation, and a Member of the steering committee of the Coalition Against Corruption, Board of Trustees of the CARITAS, Philippine Jaycees Senate, Preparatory Committee on Association of Southeast Asian Nations Chambers of Commerce and Industry (“ASEAN-CCI”) Re-engineering and ASEAN-CCI executive committee. Mr. Concepcion also held previously the following notable positions: Founding Organizer in 1975 and President of the ASEAN-CCI in from 2000 to 2001, Chairman of ASEAN Business Advisory Council (“ABAC”) from 2005 to 2006, Chairman of the East Asia Business Council (“EABC”) from 2006 to 2007, Chairman of Philippine Township, Inc. from 2005- 2009, Delegate to the 1971 Constitutional Convention of the first district of Rizal, Commissioner of the EDSA People Power Commission from 1998 to 2000, Member of the task force for the World Trade Organization (“WTO”) agriculture re-negotiation, and national Chairman of the Bishops-Businessmen’s Conference for Human Development (“BBC”) from 1992 to 2002. From 1986 to 1991, he concurrently held various positions in the government such as Minister of the Department of Trade and Industry, Chairman of the Board of Investments, and Member of the Monetary Board of the Central Bank of the Philippines. He holds a B.S. Agriculture degree from Araneta Institute. Mr. Concepcion has also been conferred with the degrees of Doctor of Humane Letters (Honoris Causa) by De La Salle University, Doctor of Humane Letters (Honoris Causa) by Xavier University, and Doctor of Philosophy in Management by the Gregorio Araneta University Foundation.

(b) Executive Officers

The table below sets forth certain information regarding the executive officers of the Company as of the date of this Report.

Name	Age	Position	Citizenship
Raul Joseph A. Concepcion	59	Chief Executive Officer of CIC and President of CCAC	Filipino
Renna C. Hechanova- Angeles	66	Treasurer of CIC; Vice Chairman of CDI	Filipino
Raul Anthony A. Concepcion	51	President of CDI	Filipino
Rafael C. Hechanova, Jr.	62	Executive Vice President, Business Development and Corporate Marketing, CIC and CCAC	Filipino
Ma. Victoria A. Betita	53	Chief Finance Officer, CIC and CCAC	Filipino
Shaun Byrne	48	CEO of Technology Division (CTC)	Australian
Rajan Komarasu	55	President, Alstra Group, CCAC and COPI; CEO and President, COPI; CEO and President, Alstra	Singaporean
Harold Thomas Pernikar, Jr.	44	President, Consumer Lifestyle Solutions, CCAC and CDI; CEO of CDI	American
Richard L. Parcia	45	Chief Information Officer	Filipino
Alexander T. Villanueva	49	President, Product Solutions Division, CCAC and CDI	Filipino
Philip F. Trapaga	60	General Manager, CMIP	Filipino

Name	Age	Position	Citizenship
Michael Eric Sarmiento	51	President and Chief Operating Officer, Business Services Division	Filipino
Jayson L. Fernandez	51	Corporate Secretary	Filipino

The business experiences of each of the executive officers are set forth below.

Raul Joseph A. Concepcion
Chief Executive Officer and President

Please refer to the table of Directors above.

Renna C. Hechanova-Angeles
Treasurer, CIC and Vice Chairman of CDI

Please refer to the table of Directors above.

Raul Anthony A. Concepcion
President, CDI

Please refer to the table of Directors above.

Rafael C. Hechanova, Jr.
*Executive Vice President,
Business Development and Marketing,
CIC and CCAC*

Mr. Rafael C. Hechanova, Jr. is CCAC's Vice President for Business Development and Corporate Marketing. He plays a key role in ensuring that CCAC 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 Hyland Realty & Development Corp. 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
Chief Finance Officer, CIC and CCAC

Ma. Victoria A. Betita is the Chief Finance Officer of the Company and CCAC. 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 2005 to 2011 in Ateneo de Manila University and a Master in Business Management from the Asian Institute of Management.

Shaun Byrne
CEO, Technology Division

Mr. Shaun Byrne is Chief Executive Officer of Technology Division primarily referring to CTC, a wholly-owned subsidiary of CIC. He was formerly the Chief Information Officer of CCAC from 2014 to 2015 and the Director for Consumer Service and Support of CCAC from 2009 to 2013. Prior to joining CCAC, Mr. Byrne owned and managed his own IT consultancy in Sydney and Melbourne from 1999 to 2006.

Rajan Komarasu
*President, Alstra Group, CCAC and COPI;
CEO and President, COPI and Alstra*

Mr. Rajan Komarasu is the President of the Alstra Group at CIC covering both HVACR under CCAC and Elevators and Escalators under COPI. He is also CEO and President of COPI and Alstra. 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 Bachelor Science (B.S.) Business degree from Curtin University. He is also a Certified Public Accountant of Singapore.

Harold Thomas Pernikar, Jr.
*President, Consumer Lifestyle Solutions Group,
CCAC and CDI, CEO of CDI*

Mr. Harold Thomas Perkinar, Jr. is the President of the Consumer Solutions Group at CIC. 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 and logistics manager, global product manager and business development manager at AkzoNobel Car Refinishes, and as a commercial manager at AkzoNobel Automotive & Aerospace Coatings. He holds a B.S. International Business and Finance degree from Northeastern University.

Richard L. Parcia
Chief Information Officer

Dr. Richard L. Parcia is the Chief Information Officer of CIC. 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 a Master degree in Business Administration from Letran College- Calamba; and a Doctor of Philosophy in Development Studies specializing in Technology Development from the University of Santo Tomas.

Alexander T. Villanueva
*President, Product Solutions Division,
CCAC and CDI*

Mr. Alexander T. Villanueva is the President of Product Solutions Division covering CCAC and CDI. 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.

Philip F. Trapaga
General Manager, CMIP

Mr. Phillip F. Trapaga is the General Manager of Concepcion Midea Inc. Philippines since 15 July 2013. He was formerly the Country Manager for ASEAN for Belkin International from 2011-2013. Previously he was the Director for Channel Sales for CCAC from 2008-2011 handling all HVAC sales for both retail and package equipment dealers. Mr. Trapaga also held several regional, general management and sales roles with Philips Consumer Electronics covering the Philippines and the Asian market from 2002 - 2007. Mr. Trapaga holds a B.S. Commerce Degree, Major in Finance from De La Salle University.

Michael Eric Sarmiento
President, Business Services Division

Mr. Michael Eric Sarmiento is the President of Business Services Division. Prior to CIC, Eric was Senior Vice President and General Manager of Primer Group of Companies. In Primer, he headed the Global Shared Services Co. (ROHQ) that services the Retail (Philippines & International Offices) and Industrial Groups (Heating, Ventilation, & Air Conditioning, Printing & Energy Consulting) of the Primer Group of Companies. Further back, he was also Vice President and CFO at Kellogg & Andelson Global Management Company, Senior Director and CFO for Prople, Inc., Deputy CFO for the Intellectual Property Ventures Group (IPVG) & Subsidiaries, and in was in various Information Technology and Finance roles at the Rizal Commercial Banking Corporation. Mr. Sarmiento holds a B.S. degree in Industrial Engineering, and a Master degree in Business Administration from University of the Philippines.

Jayson L. Fernandez
Corporate Secretary

Atty. Jayson L. Fernandez is the Corporate Secretary of the Company. Atty. Fernandez 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.

(c) 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 years.

Item 10 Executive Compensation

The following are the Company's CEO and four most highly compensated executive officers for the year ended December 31, 2020:

<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 2018, 2019, 2020 and 2021 (forecast):

	<u>Year</u>	<u>Total ⁽¹⁾</u>
		(Amounts are in millions)
CEO and the most highly compensated officers named above		
.....	2018	162.6
	2019	149.1
	2020	153.0
	2021 (est.)	116.8
Aggregate compensation paid to all officers and Directors as a group unnamed		
.....	2018	268.3
	2019	254.4
	2020	249.3

Note:

⁽¹⁾ includes salary, bonuses and other income.

Standard Arrangements

Other than payment of reasonable per diem for Board meetings and committee participation as approved by the Board, there are no standard arrangements pursuant to which Directors of the Company are compensated, or were compensated, directly or indirectly.

Other Arrangements

There are no other standard arrangements pursuant to which any Director of the Company was compensated except for the Chairman for the Audit and Governance Committee who is paid a reasonable monthly allowance as approved by the Board.

Employment Contracts

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

Warrants and Options Outstanding

As of the date of this Report, there are no outstanding warrants or options held by the President and CEO, the named executive officers, and all officers and directors as a group.

Item 11 Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Record and Beneficial Owners

The following table presents a list of persons/groups known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of any class of Concepcion Industrial Corporation voting shares as at December 31, 2020.

Title of Class	Name and Address of Record Owner	Citizenship	Number of Shares Held	% of Class
Common	Foresight Realty & Development Corp. (Formerly Concepcion Holdings, Inc.) 308 Sen. Gil Puyat Ave., Makati City	Filipino	92,580,290	22.73
Common	Hyland Realty & Development Corp. 308 Sen. Gil Puyat Ave., Makati City	Filipino	89,387,797	21.95
Common	Horizons Realty Inc. Pioneer cor. Sheridan St., Mandaluyong City	Filipino	85,545,026	21.00
Common	PCD Nominee Corporation	Filipino	51,87,0286	12.74
Common	PCD Nominee Corporation	Foreign	86,088,471	21.14

Other than the abovementioned, the Company has no knowledge of any person who, as at December 31, 2019, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

(b) Security Ownership of Management

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the Chairman, key officers of the Company, and nominees for election as director, as at December 31, 2020 held through various brokerage accounts and PDC Nominees.

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	747,060	Direct and 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	2,230,952	Direct and Indirect	0.6
Common	Ma. Victoria Herminia C. Young	Director	Filipino	1,149,073	Direct and Indirect	0.3
Common	Jose Ma. A. Concepcion III	Director	Filipino	114,056	Direct and Indirect	0.0
Common	Raissa C. Hechanova-Posadas	Director	Filipino	2,641,630	Direct	0.7
Common	Alfredo E. Pascual	Director	Filipino	100	Direct	0.0
Common	Cesar A. Buenaventura	Director	Filipino	3	Direct	0.0
Common	Justo A. Ortiz	Director	Filipino	3,500	Direct	0.0
Common	Rafael C. Hechanova, Jr.	EVP for Business Development	Filipino	4,109,114	Direct and Indirect	1.0

Title of Class	Name of Beneficial Owner	Position	Citizenship	Number of Shares	Nature of Ownership	% of Class
Common	Ma. Victoria A. Betita	Chief Finance Officer, CIC and CCAC	Filipino	33,000	Direct	0.0
Common	Rajan Komarasu	President, Alstra Group	Filipino	46,800	Direct	0.0
Common	Harold Thomas Pernikar, Jr.	President, Consumer Lifestyle Solutions	Filipino	1,560	Direct	0.0
Common	Alexander T. Villanueva	President, Product Solutions Division	Filipino	12,000	Direct	0.0
Common	Phillip F. Trapaga	General Manager, CMIP		12,120	Direct	0.0

The aggregate number of shares owned of record by all or key officers and directors as a group as of December 31, 2020 is 14,208,784 shares or approximately 3.5% of the Company's outstanding capital stock.

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 2020 and 2019.

(c) Voting Trust Holders of % or more

The Company has no existing voting trust or similar agreements.

(d) Changes in Control

There are no existing arrangements which may result in a change in control of the Company.

Item 12 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:

	2020		2019		2018	
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)
Shareholders						
Rent and utilities	60,666	(2)	52,292	(3)	56,265	(1,110)
Lease of warehouse	42,129	-	53,364	-	45,082	-
Advance Rental	2,730	-	-	-	-	-
Security Deposit	2,671	-	-	-	-	-
Dividend declaration	282,253	-	486,606	-	487,056	-
Reimbursements from shareholders	303	303	-	(1,157)	-	(1,748)
Reimbursements to shareholders	-	(1,157)	-	(1,157)	-	(1,748)
Associate						
Administrative services	21,454	2,728	19,115	1,593	17,878	4,470
Transfer of employees	110	(110)	706	(8,578)	1,962	(7,740)
Transfer of employees	2,537	2,687	1	1,781	2,071	2,071
Purchase of goods, net of return	17,236	(1,877)	223	(20)	787	(20)
Sale of goods	2,773	1,053	232	2,558	17,592	20,674
Product loan	270	-	-	-	-	(40)
Transaction fees	1,030	1,030	-	-	-	-
Reimbursements to associates	164,981	22,617	83,039	44,647	12,294	10,068
Reimbursement from associate	1,225	(4,736)	2,653	(210)	265	(1,061)
Entities under common control						
Rent and utilities	34,119	-	34,372	1	32,494	(2,707)
Entities with common shareholders						
Sale of goods	-	-	24	-	-	-
Commission income	10,558	3,731	32,895	27,419	25,728	10,567
Reimbursements	-	-	-	-	795	4
Dividend declaration	341,680	-	895,560	-	431,700	-
Purchases, net purchase returns	1,973,683	(514,258)	2,511,901	(318,022)	1,531,012	(376,333)
Collections (Payments) in behalf of a related party	-	(4,331)	54,260	(2,105)	54,260	(4,330)
Royalty/Technical fee	42,697	(29,891)	56,160	(8,049)	51,448	(4,835)
Key management personnel						
Short-term						
Directors' fees	9,412	(9,412)	3,943	3,943	18,558	(18,558)
Salaries and wages	435,561	(60,772)	459,369	(105,307)	523,563	(100,499)
Long-term						
Retirement benefit	19,034	(122,007)	13,462	(61,662)	9,863	(101,998)
Retirement plan						
Contributions to the retirement fund	854	-	329	-	-	-
Claims from the retirement fund	25,034	-	29,508	-	21,774	-

(a) Shared administrative cost

This pertains to administrative costs charged to entities under common control for the accounting services rendered.

(b) Royalty/Technical service agreement with Carrier Corporation

The Group 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. The agreement provides that the Group 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 in the manufacture of its products. The agreement remains effective unless terminated by both parties.

Part IV - CORPORATE GOVERNANCE

Item 13 Corporate Governance

The Company believes that the key to long term sustainability and success depends largely on having a good name and solid reputation in the marketplace, which is why the business and operations of the Company are conducted in accordance with the principles of good corporate governance. These principles of corporate governance are embodied in the governance processes and standards set forth in the Company's Corporate Governance Manual (the "Manual") which incorporates established governance policies and practices in accordance with applicable laws, rules and regulations. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness. A compliance officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members, officers and employees. There has been no deviation from the Manual's standards as of the date of this Report.

Committees of the Board

The Board reorganized its committees towards the end of the 2019 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 Philippine 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.

Part V - EXHIBITS AND SCHEDULES

Item 14 Exhibits and Reports on SEC Form 17-C

(a) Exhibits -- Please refer to the Index to Exhibits on page 33.

The other exhibits as indicated in the Exhibit Table of Revised Securities Act Forms are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

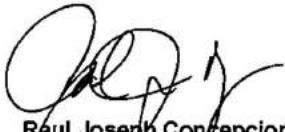
The following reports on SEC Form 17-C were filed during 2020.

Date	Subject of Report
March 16, 2020	Risks and Impact of COVID-19 Pandemic on Company's Business
March 20, 2020	Amendment of the Terms of the Share Buyback Program
April 15, 2020	Setting Date of Annual Stockholders Meeting and Other Relevant Dates
May 13, 2020	Declaration of Cash Dividends
July 15, 2020	Results of Annual Stockholders Meeting
July 15, 2020	Results of Organizational Meeting of the Board
August 03, 2020	Approval of the Amendment of the Articles of Incorporation to Increase the Number of Directors from 8 to 9
September 18, 2020	Setting Date for Special Stockholders to Elect Independent Director to fill a Seat from the Increase in Number of Directors
November 06, 2020	Election of Mr. Justo A. Ortiz as Independent Director

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 12, 2021.

By:



Raul Joseph Concepcion
Principal Executive Officer / Principal Operating Officer



Ma Victoria A. Betita
Principal Financial Officer / Comptroller / Principal Accts. Officer



Jayson L. Fernandez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 14 2021, affiants exhibiting to me their residence certificates as follows:

<u>NAMES</u>	<u>ID Number</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Raul Joseph A. Concepcion	P6306423A	06 March 2018	Manila
Ma. Victoria A. Betita	N03-95-186274	22 March 2019	Manila
Jayson L. Fernandez	N01-88-083452	09 January 2018	Makati City

Doc No. 219
Page No. 45
Book No. 1
Series of 2021



ATTY. CARLO MICHAEL S. JAVIER

Commission No. M-172
Notary Public for Makati City
Until December 31, 2021
21st Floor, Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 62298
PTR No.8533294 / 4-Jan-2021 / Makati City
IBP No.935403 / Lifetime / Quezon City 33
MCLE Compliance No.VI-0013741



C O N C E P C I O N

**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, 2020 and 2019 (with comparative figures and notes for the year ended December 31, 2018), including the additional components attached therein, 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 shareholders.

Isla Lipana & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippines 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 Concepcion
Chairman of the Board and Chief Executive Officer

Ma. Victoria A. Betita
Chief Finance Officer

Signed this 14th day of April 2021

CONCEPCION INDUSTRIAL CORPORATION
308 Sen. Gil Puyat Ave., Makati, Metro Manila
Tel. No. +632 8 772 181P ex No. +632 8 809 1819
www.cic.ph | www.concepcion.ph

Signed in the presence of:



MA. ANNUNCIATA A. TRANGCO

ACKNOWLEDGEMENT

Republic of the Philippines)
MAKATI CITY) SS

Before me, a notary public for and in the **MAKATI CITY** this

MAY 14 2021 personally appeared.

Name
RAUL JOSEPH A. CONCEPCION
MA. VICTORIA A. BETITA

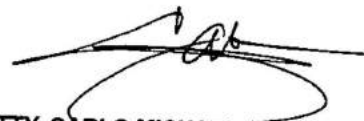
Evidence of Competent Identity
P6306423A issued on 06 March 2018
N03-95-182674 issued on 22 March 2019

Known to me to be the same persons who execute the foregoing Statement of Management Responsibility, consisting of one (1) page, and they acknowledge to me that they executed the same as their free and voluntary act and deed.

IN WITNESS WHEREOF, I have unto set my hand and affixed my notarial seal this

MAY 14 2021

Doc No. 320
Page No. 45
Book No. 1
Series of 2021



ATTY. CARLO MICHAEL S. JAVIER
Commission No. M-172
Notary Public for Makati City
Until December 31, 2021
21st Floor, Philamlife Tower
8767 Pasad de Roxas, Makati City
Roll No. 62298
PTR No.8533294 / 4-Jan-2021 / Makati City
IBP No.935403 / Lifetime / Quezon City
MCLE Compliance No.VI-0013741

Concepcion Industrial Corporation and Subsidiaries

Consolidated Financial Statements

**As at December 31, 2020 and 2019 and for each of the
three years in the period ended December 31, 2020**



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, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 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, 2020 and 2019;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2020;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2020;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2020; 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.

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T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



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.

The only key audit matter (KAM) identified for the Group pertains to impairment of goodwill.

KAM	How our audit addressed the KAM
<p><i>Impairment of goodwill</i></p> <p>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 P802.36 million as at December 31, 2020 is material to the consolidated financial statements. Key assumptions include revenue growth rate and pre-tax adjusted discount rate which are affected by expected future market or economic conditions.</p> <p>Note 27.2.1 to the financial statements presents management's disclosures on the judgments and estimates applied in assessing impairment of goodwill.</p>	<p>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:</p> <ul style="list-style-type: none">• Forecasted revenue growth <p>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, projects commencing in 2021 and the impact of the COVID-19 pandemic on such projects. Based on this work, we found the assumptions used to be aligned with historical experience and industry outlook.</p>



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 <p>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>

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, 2020, 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.

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.



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

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.
- 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.



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

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
Ma. Lois M. Gregorio-Abad.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "Ma. Lois M. Gregorio-Abad".

Ma. Lois M. Gregorio-Abad
Partner

CPA Cert. No. 0104589

P.T.R. No. 0028729; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1573-AR-1, Category A; effective until July 22, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 212-206-626

BIR A.N. 08-000745-129-2019; issued on January 14, 2019; effective until January 13, 2022

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 14, 2021



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, 2020, on which we have rendered the attached report dated April 14, 2021. The supplementary information shown in Annex 68-C, Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration, and A Map Showing Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates as required by Part I Section 5 and Schedules A, B, C, D, E, F, and G 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.

Ma. Nois M. Gregorio-Abad
Partner

CPA Cert. No. 0104589

P.T.R. No. 0028729; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1573-AR-1, Category A; effective until July 22, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 212-206-626

BIR A.N. 08-000745-129-2019; issued on January 14, 2019; effective until January 13, 2022

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 14, 2021

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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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 14, 2021. 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and no material exceptions were noted.

Isla Lipana & Co.

Ma. Lois M. Gregorio-Abad
Partner

CPA Cert. No. 0104589

P.T.R. No. 0028729; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1573-AR-1, Category A; effective until July 22, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements

T.I.N. 212-206-626

BIR A.N. 08-000745-129-2019; issued on January 14, 2019; effective until January 13, 2022

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 14, 2021

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Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(All amounts in thousand Philippine Peso)

	Notes	2020	2019
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	2,986,668	1,606,096
Trade and other receivables, net	3	3,641,581	4,097,896
Contract assets	15	670,285	989,235
Inventories, net	4	2,462,017	2,332,697
Prepayments and other current assets		76,258	187,935
Total current assets		9,836,809	9,213,859
Non-current assets			
Property and equipment, net	5	635,933	683,010
Investment property	6	40,255	40,255
Investment in associates	7	151,715	119,113
Intangible assets, net	8	190,244	201,057
Goodwill	8	802,362	802,362
Right-of-use assets, net	19	487,854	644,355
Deferred income tax assets, net	9	476,526	366,487
Retirement benefit asset	20	-	3,276
Other non-current assets		58,132	64,012
Total non-current assets		2,843,021	2,923,927
Total assets		12,679,830	12,137,786
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	10	4,003,915	3,597,688
Short-term borrowings	13	190,000	45,000
Lease liabilities	19	63,308	198,841
Provision for warranty	11	68,152	22,054
Other provisions	12	49,723	42,358
Income tax payable		83,079	82,767
Total current liabilities		4,458,177	3,988,708
Non-current liabilities			
Retirement benefit obligation	20	492,876	429,720
Lease liabilities	19	425,815	438,707
Provision for warranty	11	9,404	13,365
Total non-current liabilities		928,095	881,792
Total liabilities		5,386,272	4,870,500
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	(170,068)	(146,528)
Retained earnings	21	4,251,056	4,063,053
Other comprehensive loss		(86,269)	(87,105)
		5,395,226	5,229,927
Non-controlling interest		1,898,332	2,037,359
Total equity		7,293,558	7,267,286
Total liabilities and equity		12,679,830	12,137,786

The notes on pages 1 to 67 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, 2020
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2020	2019	2018
Net sale of goods	15	9,941,807	13,633,165	12,559,845
Sale of services	15	823,113	1,432,981	1,641,908
Net sales		10,764,920	15,066,146	14,201,753
Cost of sales and services	16	(6,837,136)	(9,680,378)	(9,119,421)
Gross profit		3,927,784	5,385,768	5,082,332
Operating expenses	17	(2,972,416)	(3,373,645)	(2,941,503)
Other operating income, net	18	84,963	71,422	24,632
Operating income		1,040,331	2,083,545	2,165,461
Interest expense	13, 19	(28,057)	(35,576)	(6,638)
Income before share in net income (loss) of associates and income tax		1,012,274	2,047,969	2,158,823
Share in net income (loss) of associates	7	22,999	30,638	(16,693)
Income before income tax		1,035,273	2,078,607	2,142,130
Income tax expense	9	(348,719)	(649,075)	(685,168)
Net income for the year		686,554	1,429,532	1,456,962
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	(5,806)	(58,158)	2,216
Total comprehensive income for the year		680,748	1,371,374	1,459,178
Net income attributable to:				
Owners of the Parent Company		470,918	946,764	913,237
Non-controlling interest		215,636	482,768	543,725
		686,554	1,429,532	1,456,962
Total comprehensive income attributable to:				
Owners of the Parent Company		471,754	906,000	914,497
Non-controlling interest		208,994	465,374	544,681
		680,748	1,371,374	1,459,178
Earnings per share - basic and diluted	22	1.17	2.34	2.25

The notes on pages 1 to 67 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, 2020
(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)		
Notes	21	21	21	21		7	
Balances as at January 1, 2018	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	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	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
Comprehensive income							
Net income for the year	-	-	-	470,918	-	215,636	686,554
Remeasurement gain on retirement benefits, net of tax	-	-	-	-	836	(6,642)	(5,806)
Total comprehensive income for the year	-	-	-	470,918	836	208,994	680,748
Transactions with owners							
Ownership changes in non-controlling interest	7	-	-	(662)	-	(6,341)	(7,003)
Cash dividends declared	-	-	-	(282,253)	-	(341,680)	(623,933)
Treasury shares	-	-	(23,540)	-	-	-	(23,540)
Total transactions with owners	-	-	(23,540)	(282,915)	-	(348,021)	(654,476)
Balances as at December 31, 2020	407,264	993,243	(170,068)	4,251,056	(86,269)	1,898,332	7,293,558

The notes on pages 1 to 67 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, 2020
(All amounts in thousand Philippine Peso)

	Notes	2020	2019	2018
Cash flows from operating activities				
Income before income tax		1,035,273	2,078,607	2,142,130
Adjustments for:				
Provisions for (reversals of):				
Volume rebates, trade discounts and other incentives	3	618,039	1,020,270	593,436
Warranty cost	11	134,160	106,686	90,228
Commission	12	17,224	44,873	43,070
Impairment of receivables	3	77,917	3,589	5,835
Contingencies	12	28,113	4,844	25,505
Inventory obsolescence	4	36,977	(15,827)	(19,894)
Amortization of right-of-use assets	19	238,679	229,921	-
Depreciation and amortization of property and equipment	5	138,239	123,628	108,364
Retirement benefit expense	20	89,982	82,111	63,271
Interest expense	13, 19	28,057	35,576	6,638
Amortization of intangible assets	8	28,859	27,030	20,502
Share in net loss (income) of associates	7	(22,999)	(30,638)	16,693
Unrealized foreign exchange (gains) losses	25	(48,364)	(17,095)	8,264
Interest income on bank deposits, short-term placements and loan to related party		(12,108)	(17,037)	(12,097)
Loss (Gain) on disposal of property and equipment	18	562	(681)	(3,731)
Operating income before working capital changes		2,388,610	3,675,857	3,088,214
Changes in:				
Trade and other receivables		54,977	(898,582)	(1,371,404)
Inventories		(166,297)	522,192	(530,373)
Prepayments and other current assets		(72,385)	(76,579)	(6,921)
Other non-current assets		108,980	(619)	(19,610)
Trade payables and other liabilities		364,234	280,193	(262,474)
Cash generated from operations		2,678,119	3,502,462	897,432
Income tax paid		(274,267)	(555,011)	(728,166)
Payments of provision for warranty cost	11	(92,023)	(120,596)	(138,068)
Payments of other provisions	12	(37,972)	(54,916)	(95,222)
Retirement contributions/ benefits directly paid by the Group	20	(36,075)	(29,837)	(21,774)
Interest received on bank deposits		3,090	6,215	3,146
Net cash provided by (used in) operating activities		2,240,872	2,748,317	(82,652)
Cash flows from investing activities				
Interest received from short-term placements and loan to a related party		9,018	10,822	8,953
Availments of short-term investments		-	(117,000)	-
Additions to investment property	6	-	(1,188)	(1,547)
Proceeds from disposal of property and equipment		-	979	3,754
Additions to property and equipment	5	(95,025)	(251,364)	(259,241)
Additions to intangibles	8	(6,311)	(11,701)	(49,294)
Payments for investments in shares of stock	7	(6,066)	(6,125)	(19,875)
Net cash used in investing activities		(98,384)	(375,577)	(317,250)
Cash flows from financing activities				
Proceeds from short-term borrowings	13	145,000	115,000	425,000
Payments of short-term borrowings	13	-	(495,000)	-
Cash distributions of profits	21	(623,933)	(1,382,166)	(918,756)
Principal repayment of lease liabilities	19	(230,349)	(221,138)	-
Acquisitions of treasury shares	21	(23,540)	(72,769)	(13,935)
Interest paid on lease liabilities	19	(21,530)	(28,566)	-
Interest paid on short-term borrowings	13	(6,527)	(7,010)	(6,638)
Net cash used in financing activities		(760,879)	(2,091,649)	(514,329)
Net increase (decrease) in cash and cash equivalents		1,381,609	281,091	(914,231)
Cash and cash equivalents as at January 1		1,606,096	1,325,419	2,240,085
Effects of foreign exchange rate changes on cash and cash equivalents		(1,037)	(414)	(435)
Cash and cash equivalents as at December 31	2	2,986,668	1,606,096	1,325,419

The notes on pages 1 to 67 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2020 and 2019 and for each of the

three years in the period ended December 31, 2020

(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 28.2.1) 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.

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, 2020 and 2019.

1.2 Significant business developments

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), a wholly-owned subsidiary, 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 6.78 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 February 12, 2020, the BOD approved the increase in authorized capital stock from P678 million to P1.2 billion consisting of 12 million shares at P100 par value per share. On November 27, 2020, the CDI filed the application for the increase in authorized capital stock with the SEC. On December 15, 2020, SEC approved the Company's application for the increase in authorized share capital to P1.2 billion or 12 million shares at P100 par value per share and out of the increase in capital, 1,364,040 shares was subscribed to and paid by the Parent Company at a total subscription price of P136.4 million.

On July 11, 2018, 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 200 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 December 19, 2019, BOD approved the proposed increase in authorized share capital of CTC from 200 million shares to 450 million shares at P1 par value per share. On July 17, 2020, CTC received deposit for future stock subscription from the Parent Company amounting to P15.6 million. As of December 31, 2020, CTC is still in the process of completing the requirements for its application of the proposed increase in authorized share capital with the SEC.

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 million.

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 P2.1 million. On December 19, 2019, Teko's BOD approved the issuance of 127,500 shares of preferred stock to the CTC at an issue price equal to the par value, payable by applying or offsetting an equivalent amount of the outstanding advances due and payable by Teko to CTC. CTC and Teko's shareholders are in the process of finalizing the terms and conditions regarding the issuance of shares and the offsetting of advances. Hence, the balance of CTC's deposit for future stock subscription was recorded as a liability as at December 31, 2019. The shares were issued on February 3, 2020.

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 July 2, 2020, Tenex issued the 15,500 stock subscription at par value to a shareholder and Alstra amounting to P6.9 million and P8.6 million, respectively.

On August 28, 2019, the BOD of Alstra authorized the acquisition of 73,950 shares of stock, which represents 51% of the issued and outstanding capital stock, of Concepcion-Otis Philippines, Inc. (COPI) from Concepcion-Carrier Air-conditioning Company (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 P1.5 billion. The selling price is based on the equity value of COPI of P1.8 billion 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 24, 2021, the Parent Company's BOD authorized the Audit and Risk Oversight Committee (Audit Com) to approve and authorize the issuance of the separate financial statements of the Parent Company for the year ended December 31, 2020.

On April 14, 2021, pursuant to the authority granted to it by the BOD, the Audit Com approved and authorized the issuance of the consolidated financial statements of the Parent Company for the year ended December 31, 2020.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2020	2019
Cash on hand	66	65
Cash in banks	1,185,901	720,627
Short-term placements	1,800,701	885,404
	<u>2,986,668</u>	<u>1,606,096</u>

Cash in banks and short-term placements amounting to P2,762,983 and P223,619 (2019 - P788,095 and P817,936) are made with universal and commercial banks, respectively. These earn interest at the prevailing bank deposit rates (Note 18).

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 0.125% to 3% (2019 - 0.38% to 2.88%) (Note 18).

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	2020	2019
Trade receivables			
Third parties		3,913,244	4,237,573
Related parties	14	3,781	2,558
Provision for volume rebates, trade discounts and other incentives		(386,905)	(308,965)
Provision for impairment of receivables		(165,601)	(95,316)
Net trade receivables		3,364,519	3,835,850
Non-trade receivables, net			
Related parties	14	30,368	75,442
Advances to employees		36,105	32,948
Claims from suppliers		11,772	43,114
Rental deposits		10,593	4,324
Others		188,224	106,218
		3,641,581	4,097,896

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, 2020 and 2019 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:

- High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- Underperforming - some reminder/follow-ups are performed to collect accounts from counterparty.
- 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 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%	
2020					
Trade receivables					
Third parties	2,471,821	1,126,438	153,347	161,638	3,913,244
Related parties	3,740	-	-	-	3,740
	2,475,561	1,126,438	153,347	161,638	3,916,984
Contract assets	670,285	-	-	-	670,285
Total	3,145,846	1,126,438	153,347	161,638	4,587,269
Loss allowance	3,290	431	242	16,1638	165,601
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	3,898,466	780,125	72,996	95,426	4,847,013
Loss allowance	725	789	14,013	79,789	95,316

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	2020	2019
Beginning		95,316	121,228
Provisions, net of reversals	17	74,060	3,589
Write-offs		(3,775)	(29,501)
Ending		165,601	95,316

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	2020	2019
Beginning		308,965	339,214
Provisions	15	618,039	1,020,270
Charges		(540,099)	(1,050,519)
Ending		386,905	308,965

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

Non-trade receivables - others are presented net of the provision for impairment of receivables amounting to P9,595 (2019 - P5,738).

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

	Note	2020	2019
Beginning		5,738	-
Provisions	17	3,857	5,738
Ending		9,595	5,738

Note 4 - Inventories, net

Inventories, net as at December 31 consist of:

	Note	2020	2019
At cost			
Raw materials		1,000,237	1,008,372
Finished goods	16	1,295,612	1,210,302
Work in process	16	4	3,620
Inventories-in-transit		168,394	68,674
Spare-parts and supplies used in business		88,674	97,360
		2,552,921	2,388,328
Provision for inventory obsolescence		(90,904)	(55,631)
		2,462,017	2,332,697

For the year ended December 31, 2020, the cost of inventory recognized as expense and included in cost of sales and services amounted to P6,340,714 (2019 - P9,029,953; 2018 - P8,502,116) (Note 16).

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

	Notes	2020	2019
Beginning		55,631	71,458
Provisions (Reversals), net	17	36,977	(15,827)
Write-off		(1,704)	-
Ending		90,904	55,631

In 2020, the Group wrote-off fully provided inventories as a result of the physical inventory count held during the year amounting to P1.7 million. There is no similar transaction in 2019.

Reversals of provision for inventory obsolescence pertain to inventory items re-processed through production.

Provisions (Reversals), net for the year ended December 31 were charged (credited) to operating expenses.

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	Transportation equipment	Furniture, fixtures and office equipment	Tools and equipment	Leasehold improvements	Building improvements	Construction in progress (CIP)	Total
Cost								
At January 1, 2020	1,297,464	18,667	210,019	198,058	215,768	27,801	120,034	2,087,811
Additions	10,872	4,718	9,170	19,433	1,023	365	50,024	95,605
Retirement	-	-	(90)	-	-	-	(4,343)	(4,433)
Transfers/Reclassifications	14,755	-	503	12,412	20,856	-	(48,647)	(121)
At December 31, 2020	1,323,091	23,385	219,602	229,903	237,647	28,166	117,068	2,178,862
Accumulated depreciation								
At January 1, 2020	964,863	16,407	152,911	179,564	78,498	12,558	-	1,404,801
Depreciation and amortization	59,221	2,402	28,523	13,989	30,050	4,054	-	138,239
Retirement	-	-	(65)	-	-	-	-	(65)
Transfers/Reclassifications	-	-	(46)	-	-	-	-	(46)
At December 31, 2020	1,024,084	18,809	181,323	193,553	108,548	16,612	-	1,542,929
Net book values as at December 31, 2020	305,713	4,576	38,279	36,349	128,860	11,554	110,602	635,933
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

The cost of fully depreciated property and equipment still being used by the Group as at December 31, 2020 amounted to P1,195,795 (2019 - P1,126,620).

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

	Notes	2020	2019	2018
Cost of sales and services	16	80,505	74,018	66,214
Operating expenses	17	57,734	49,610	42,150
		138,239	123,628	108,364

Note 6 - Investment property

As at December 31, 2020 and 2019, 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, 2020 and 2019 amounted to P37,520, based on the last known selling price per square meter.

As at December 31, 2019 and 2018, the Parent Company paid P1,188 and P1,547, respectively, 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 were no further costs incurred that were considered as additions to investment property in 2020.

There was no income earned related to the property for the years ended December 31, 2020 and 2019. Further, P69 direct operating expense for the investment property was incurred for the year ended December 31, 2020 (2019 - P68).

Note 7 - Investments in shares of stock

7.1 Associates

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

	2020	2019
At cost, beginning	266,125	266,125
Additional investments	8,575	-
At cost, ending	274,700	266,125
Cumulative share in total comprehensive loss, beginning	(147,012)	(178,891)
Share in net income for the year	22,999	30,638
Share in other comprehensive income for the year	1,028	571
Direct charges to other comprehensive income attributable to NCI	-	670
Cumulative share in total comprehensive loss, ending	(122,985)	(147,012)
	151,715	119,113

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, 2020 and 2019, 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:

	2020	2019
Current assets	1,191,847	990,480
Non-current assets	82,594	87,276
Current liabilities	(1,005,972)	(856,142)
Non-current liabilities	(30,946)	(34,563)
Total equity	(237,523)	(187,051)
Revenue	2,196,647	1,969,477
Net income for the year	48,494	61,424
Other comprehensive income	1,978	1,099
Total comprehensive income	50,472	62,523
Cash provided by (used in) operating activities	86,581	(22,320)
Cash used in investing activities	(7,253)	(364)
Cash provided by financing activity	4,953	59,159

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, Alstra issued a deposit for additional subscription of 8,575,000 shares of Tenex amounting to P8,575,000. On July 2, 2020, Tenex issued the 15,500 stock subscription which was considered as a non-cash transaction in the statements of cash flows. Subsequent issuance of the additional shares will not change the Alstra's ownership at 49%.

The following are the summarized financial information of Tenex as at and for the year ended December 31, 2020:

	2020	2019
Current assets	47,628	25,563
Non-current assets	1,991	1,201
Total liabilities	(27,738)	(16,921)
Total equity	(21,881)	(9,843)
Revenue	5,919	11
Net loss for the year	(5,462)	(2,657)
Total comprehensive loss for the period	(5,462)	(2,657)
Cash provided by (used in) operating activities	17,728	(2,047)
Cash used in investing activities	(1,217)	(950)
Cash provided by financing activity	2,000	28,000

7.2 Subsidiaries

The subsidiaries of CIC are presented in Note 28.2.1.

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

	2020	2019
Current assets	5,582,668	5,786,709
Non-current assets	1,108,093	1,169,589
Current liabilities	(2,567,283)	(2,539,015)
Non-current liabilities	(717,760)	(615,333)
Total equity	(3,405,718)	(3,801,950)
Revenue	6,236,372	9,709,186
Net income for the year	471,899	1,534,108
Other comprehensive loss	(13,931)	(40,742)
Total comprehensive income	457,968	1,493,366
Cash provided by operating activities	1,382,200	1,944,875
Cash provided by (used in) investing activities	(35,449)	1,504,381
Cash used in financing activities	(1,027,860)	(2,879,560)

As at December 31, 2020, the carrying value of NCI amounted to P1,754,387 (2019 - P1,912,878). Distribution of profit to NCI of CCAC amounted to P341,680 (2019 - P876,060; 2018 - P412,500) (Note 21.2).

7.2.2 COPI

	2020	2019
Current assets	893,729	749,042
Non-current assets	89,164	96,933
Current liabilities	(497,567)	(403,355)
Non-current liabilities	(29,821)	(42,095)
Total equity	(455,505)	(400,525)
Revenue	677,017	884,031
Net income for the year	57,354	107,445
Other comprehensive loss	(2,374)	(2,506)
Total comprehensive income	54,980	104,939
Cash provided by (used in) operating activities	148,491	(5,783)
Cash provided by investing activities	114,377	80,611
Cash used in financing activities	(16,798)	(143,933)

In 2019, CCAC sold its investment in COPI to Alstra and OECPI (Note 1.2). 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, 2020, the carrying value of NCI amounted to P183,033 (2019 - P156,093). Distribution of profit to NCI by COPI in 2019 and 2018 amounted to P19,500 (Note 21.2). There were no dividends declared in 2020.

7.2.3 Teko

	2020	2019
Current assets	11,045	2,860
Non-current assets	11,873	5,766
Current liabilities	(26,967)	(16,901)
Non-current liabilities	(1,201)	-
Total capital deficiency	5,250	8,275
Revenue	17,589	1,982
Net loss for the year	(11,089)	(11,989)
Other comprehensive loss	(297)	-
Total comprehensive loss	(11,386)	(11,989)
Cash used in operating activities	(14,292)	(13,104)
Cash used in investing activities	(2,888)	(789)
Cash provided by financing activities	22,170	15,938

As discussed in Note 1.2, 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 27.2.10).

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.

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.

On January 16, 2020, CTC paid the remaining subscription price of the 127,500 preferred shares amounting to P1,063.

On October 1, 2020, one of the shareholders of Teko sold 1,831 shares of its ordinary shares to the CTC for a consideration of P6,066 increasing its ownership to 16,581 shares or 58% ownership.

As at December 31, 2020, the carrying value of NCI amounted to P14,306 (2019 - P3,864). NCI's share on net loss of Teko amounted to P3,957 (2019 - 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 Teko's web-based platforms, consisting of its website and mobile application (Note 7.2.3).

Impairment test for goodwill

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at December 31, 2020 and 2019. The Group did not recognize impairment losses for the years ended December 31, 2020 and 2019 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU) (Note 27.2.1).

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, 2020		187,113	13,883	94,467	295,463
Additions		-	-	18,046	18,046
At December 31, 2020		187,113	13,883	112,513	313,509
Accumulated amortization					
At January 1, 2020		45,940	13,883	34,583	94,406
Amortization	16, 17	7,484	-	21,375	28,859
At December 31, 2020		53,424	13,883	55,958	123,265
Net book values at December 31, 2020		133,689	13,883	56,555	190,244
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

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:

	2020	2019
Deferred income tax assets to be recovered within 12 months		
Provision for volume rebates, trade discounts and other incentives	116,072	92,689
Provision for impairment of receivables	52,560	30,316
Accrued employee-related costs	36,150	69,661
Provision for inventory obsolescence	27,271	16,690
Provision for warranty costs	20,446	6,617
Provision for contingencies	16,064	3,225
Accrued royalties and other liabilities	11,947	6,457
Provision for commission	5,688	9,016
Accrual for advertising and promotion expenses	5,285	6,256
Unrealized foreign exchange losses	2,861	-
Provision for customer claims	2,580	1,030
Unamortized past service cost	222	222
	297,146	242,179
Deferred income tax assets to be recovered after 12 months		
Retirement benefit obligation	86,329	67,182
Net operating loss carry over (NOLCO)	77,627	38,941
Remeasurement loss on retirement benefits charged directly to equity	54,144	55,724
Excess of lease liabilities over right-of-use assets	7,846	5,180
Provision for warranty costs	2,821	4,009
Minimum corporate income tax (MCIT)	2,984	-
Unamortized past service cost	793	1,015
	232,544	172,051
Total deferred income tax assets	529,690	414,230
Deferred income tax liability to be settled within 12 months		
Unrealized foreign exchange gains	(14,898)	(4,677)
Deferred income tax liabilities to be settled after 12 months		
Intangible assets	(38,266)	(41,152)
Retirement benefit asset	-	(1,914)
	(38,266)	(43,066)
Total deferred income tax liabilities	(53,164)	(47,743)
Net deferred income tax assets	476,526	366,487

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

	2020	2019
NOLCO	125,152	114,601
Accrued expenses	15,712	26,959
Retirement benefit obligation	6,461	6,012
Minimum corporate income tax (MCIT)	640	636
Allowance for impairment of receivables	-	2,609
Excess of right-of-use asset over lease liability	-	(66)
	147,965	150,751

The National Internal Revenue Code (NIRC) of 1997 provided for the introduction of NOLCO privilege, which can be carried over for the three (3) succeeding taxable periods immediately following the period of such loss.

On September 11, 2020, Republic Act (R.A.) No. 11494, otherwise known as “Bayanihan to Recover as One Act”, was passed into law to strengthen the government’s efforts in mitigating the effects of COVID-19 pandemic. Under R.A. No. 11494, NOLCO for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of NOLCO as at December 31 are as follows:

Year of incurrence	Year of Expiration	2020	2019
2016	2019	-	99,398
2017	2020	122,586	122,586
2018	2021	163,597	163,597
2019	2022	225,622	225,622
2020	2025	286,710	-
		798,515	611,203
Amount expired		(122,586)	(99,398)
		675,929	511,805
Tax rate		30%	30%
		202,779	153,542

As provided under the Tax Reform Act of 1997, the Company shall pay the MCIT or the normal tax, whichever is higher. Any excess of MCIT over the normal income tax shall be carried forward on an annual basis and credited against the normal income tax for the next three (3) succeeding taxable years.

As at December 31, the details of MCIT are as follows:

Year incurred	Year of expiration	2020	2019
2015	2018	12	12
2017	2020	1	1
2018	2021	623	623
2020	2023	3,000	-
		3,636	636
Amount expired		(12)	-
		3,624	636

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 P493,217 as at December 31, 2020 (2019 - P502,503).

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

	Note	2020	2019
Beginning		366,487	321,301
Credited to other comprehensive income	20	3,266	25,628
Credited to profit or loss		103,789	17,773
MCIT		2,984	-
Adjustment from adoption of PFRS 16		-	3,708
Purchase price allocation		-	(1,923)
Ending		476,526	366,487

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

	2020	2019	2018
Current	452,508	666,848	750,685
Deferred	(103,789)	(17,773)	(65,517)
	348,719	649,075	685,168

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

	2020	2019	2018
Statutory income tax at 30%	310,582	623,581	642,639
Add (Deduct) reconciling items:			
Unrecognized NOLCO	46,588	2,819	-
Prior year income tax	9,667	-	-
Non-deductible expenses	5,030	(1,723)	5,123
Unrecognized MCIT	15	623	3
Purchase price allocation	-	(1,923)	-
Share in net (income) loss of associates	(6,900)	(9,191)	5,008
Interest income subject to final tax	(3,183)	(5,999)	(4,702)
Movement of unrecognized deferred income tax assets	(13,080)	40,888	37,097
Actual provision for income tax	348,719	649,075	685,168

Note 10 - Trade payables and other liabilities

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

	Note	2020	2019
Trade payables			
Third parties		1,244,388	1,013,178
Related parties	14	516,135	318,043
		1,760,523	1,331,221
Accrued expenses			
Project costs		569,546	541,791
Outside services		225,122	151,692
Benefits of directors, officers and employees		212,222	339,606
Professional fees		52,840	14,894
Commission		42,242	41,737
Installation and cleaning costs		39,274	42,669
Rental and utilities		38,806	29,961
Freight		32,079	69,629
Importation costs		28,378	37,392
Advertising and promotion		28,218	32,231
Repairs and maintenance		2,076	1,907
Others		106,157	80,438
		1,376,960	1,383,947
Other liabilities			
Advances on sales contract		233,190	286,742
Billings in excess of costs incurred and estimated earnings on uncompleted contracts		242,676	173,282
Withholding taxes and other mandatory government remittances		136,566	141,354
Output value-added tax (VAT), net of input VAT		75,832	45,208
Related parties	14	40,227	20,102
Others		137,941	215,832
		866,432	882,520
		4,003,915	3,597,688

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 P894,102 (2019 - P690,876) over the cumulative costs incurred and margin amounting to P651,426 and P242,676, respectively, as at December 31, 2020 (2019 - P517,594 and P173,282, respectively).

Note 11 - Provision for warranty

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

11.1 Current

	2020	2019
Beginning	22,054	30,915
Provisions	103,483	79,953
Payments	(57,385)	(88,814)
Ending	68,152	22,054

11.2 Non-current

	2020	2019
Beginning	13,365	18,414
Provisions	30,677	26,733
Payments	(34,638)	(31,782)
Ending	9,404	13,365

In 2020, provisions for warranty costs were recognized as part of operating expenses amounting to P134,160 (2019 - P106,686; 2018 - P89,334) (Note 17).

Note 12 - Other provisions

Details of other provisions as at December 31 consist of:

	2020	2019
Contingencies	30,763	12,307
Commission	18,960	30,051
	49,723	42,358

Movements in provision for contingencies as at December 31 follow:

	Note	2020	2019
Beginning		12,307	16,100
Provisions	17	28,113	4,844
Payments		(9,657)	(8,637)
Ending		30,763	12,307

Movements in provision for commission as at December 31 follow:

	2020	2019
Beginning	30,051	31,457
Provisions	17,224	44,873
Payments	(28,315)	(46,279)
Ending	18,960	30,051

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:

	2020	2019
Beginning	45,000	425,000
Availments	145,000	115,000
Settlements	-	(495,000)
Ending	190,000	45,000

As at December 31, 2020, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months at interest rates ranging from 5.25% to 6.15% (2019 - 3.875% to 6.350%). Interest expenses on borrowings recognized during the year amounted to P6,527 (2019 - P7,010; 2018 - P6,638).

There were no non-cash movements on borrowings for the years ended 2020 and 2019.

Note 14 - Related party transactions

In the normal course of business, the Group transacts with related parties. The significant related party transactions, which are presented gross of VAT and net of creditable / expanded withholding taxes, and balances as at and for the years ended December 31 follow:

	2020		2019		2018		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Shareholders							
Rent and utilities	60,666	(2)	52,292	(3)	56,265	(1,110)	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	42,129	-	53,364	-	45,082	-	
Advance Rental	2,730	-	-	-	-	-	Refer to Note 19.
Security Deposit	2,671	-	-	-	-	-	Refer to Note 19.
Dividends declaration	282,253	-	486,606	-	487,056	-	Refer to Note 21.2.
Reimbursements to shareholders	303	303	-	-	-	-	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/payable in cash, non-interest bearing and unsecured.
Reimbursements from shareholders	-	(1,157)	-	(1,157)	-	(1,748)	
Associate							
Administrative services	21,454	2,728	19,115	1,593	17,878	4,470	Outstanding receivables are due within 30 to 60 days from transaction date. These are collectible in cash, non-interest bearing and unsecured.
Transfer of employees	110	(110)	706	(8,578)	1,962	(7,740)	Benefits due to the employee transferred up to date of transfer will be paid by the former employer to the receiving company. Outstanding receivables/payables are due within one year from transaction date. The balance is collectible/payable in cash, non-interest bearing and unsecured.
Transfer of employees	2,537	2,687	1	1,781	2,071	2,071	
Purchase of goods, net of returns	17,236	(1,877)	223	(20)	787	(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	2,773	1,053	232	2,558	17,592	20,674	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	270	-	-	-	-	(40)	Payable within the next 12 months after invoice date. Unsecured and non-interest bearing advances.
Transaction fees	1,030	1,030	-	-	-	-	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/payable in cash, non-interest bearing and unsecured.
Reimbursements from associates	164,981	22,617	83,039	44,647	12,294	10,068	
Reimbursements to associates	1,225	(4,736)	2,653	(210)	265	(1,061)	

	2020		2019		2018		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Entities under common control							
Rent and utilities	34,119	-	34,372	1	32,494	(2,707)	Receivables/payables are collectible/payable in cash within 30 to 60 days from billing date. These are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Entities with common shareholders							
Sale of goods	-	-	24	-	-	-	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	10,558	3,731	32,895	27,419	25,728	10,567	Receivables/payables are collectible in cash within 30 to 60 days from billing date. These 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	341,680	-	895,560	-	431,700	-	Refer to Note 21.2.
Purchases, net purchase returns	1,973,683	(514,258)	2,511,901	(318,022)	1,531,012	(376,333)	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	-	(4,331)	54,260	(2,105)	54,260	(4,330)	Payable in cash within 60 days unsecured and bears no interest. Refer to Notes 16 and 17.
Royalty/Technical fees	42,697	(29,891)	56,160	(8,049)	51,448	(4,835)	
Key management personnel							
Short-term							
Directors fees	9,412	(9,412)	3,943	3,943	18,558	(18,558)	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	435,561	(60,772)	459,369	(105,307)	532,563	(100,499)	
Long-term							
Retirement benefits	19,034	(122,007)	13,462	(61,662)	9,863	(101,998)	Refer to Note 20.
Retirement plan							
Contributions to the retirement fund	854	-	329	-	-	-	Refer to Note 20.
Claims from the retirement fund	25,034	-	29,508	-	21,774	-	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 and 2020.

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

	2020	2019	2018
As at December 31			
Investment in subsidiaries	4,789,026	4,633,806	3,661,687
Trade and other receivables	119,043	118,710	306,998
Trade payables and other liabilities	119,043	118,710	306,998
Short-term borrowings	-	-	200,000
Deposits for future shares subscription	15,625	-	238,000
For the years ended December 31			
Sale of services	401,113	436,313	403,638
Sales of goods	8,261	-	20,160
Cost of services	329,840	284,187	264,780
Cost of goods	10,017	1,492	16,502
Operating expenses	104,209	180,839	131,374
Other operating income			-
Dividend income	838,559	1,564,159	1,081,504
Interest income	460	2,963	3,575
Interest expense	460	2,963	3,575

Note 15 - Revenue from contracts with customers

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

	Note	2020	2019	2018
Gross sales				
Sale of goods (Point in time)		11,006,140	15,055,428	13,601,057
Sale of services (Over time)		823,113	1,432,981	1,641,908
		11,829,253	16,488,409	15,242,965
Deductions				
Trade and volume discounts and other incentives	3	618,039	1,020,270	717,205
Sales returns		446,294	401,993	324,007
		1,064,333	1,422,263	1,041,212
Net sales and services		10,764,920	15,066,146	14,201,753

(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:

	2020	2019
Current contract assets relating to percentage of completion (POC) contracts	2,317,813	3,475,299
Loss allowance	(553)	(397)
	2,317,260	3,474,902
Less: Contract billings	(1,646,975)	(2,485,667)
Total contract assets	670,285	989,235

Further, as at December 31, 2020 and 2019, contract liability representing warranty obligations amounting to P77,556 and P35,419 are disclosed in Note 11.

(c) Significant changes in contract assets and liabilities

Value of contract assets in the current period decreased due to the slowdown of operations as a result of the COVID-19 pandemic.

Note 16 - Cost of sales and services

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

	Note	2020	2019	2018
Raw materials used		4,820,630	5,874,796	5,700,517
Labor		178,101	215,607	201,142
Overhead		581,531	640,135	654,997
Total manufacturing cost		5,580,262	6,730,538	6,556,656
Work-in-process, beginning	4	3,620	50,484	52,714
Work-in-process, ending	4	(4)	(3,620)	(50,484)
Cost of goods manufactured		5,583,878	6,777,402	6,558,886
Finished goods inventory, beginning	4	1,210,302	1,168,691	1,017,024
Gross purchases - trading		851,081	2,294,162	2,094,897
Finished goods available for sale		7,645,261	10,240,255	9,670,807
Finished goods inventory, ending	4	(1,295,612)	(1,210,302)	(1,168,691)
Total cost of sales		6,349,649	9,029,953	8,502,116
Cost of Installation and maintenance of elevators		465,232	633,926	605,717
Others		22,255	16,499	11,588
Total cost of services		487,487	650,425	617,305
Total cost of sales and services		6,837,136	9,680,378	9,119,421

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

	Notes	2020	2019	2018
Indirect labor		227,337	253,981	273,719
Depreciation and amortization	5	76,484	69,422	63,039
Taxes and licenses		55,713	44,900	41,522
Outside services		53,810	69,636	66,455
Rent and utilities	14, 19	50,274	57,835	99,384
Repairs and maintenance		36,930	52,887	59,257
Amortization of right-of-use assets	19	36,850	37,777	-
Travel and transportation		11,345	10,874	12,310
Insurance		5,852	5,276	4,140
Indirect materials and supplies		2,527	6,081	12,889
Amortization of intangible assets	8	1,982	1,982	1,378
Others		22,427	29,484	20,904
		581,531	640,135	654,997

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

	Notes	2020	2019	2018
Materials and labor	4	331,457	489,534	470,334
Personnel costs		86,283	95,521	86,003
Royalty/technical fees	14, 19	27,438	25,949	29,505
Amortization of right-of-use assets	19	8,508	7,706	-
Rent and utilities	14, 19	7,922	8,584	11,377
Taxes and licenses		4,134	3,414	3,447
Outside services		4,080	4,399	4,398
Depreciation and amortization	5	4,021	4,596	3,175
Transportation and travel		2,541	3,458	3,029
Supplies		807	1,844	1,197
Insurance		713	438	1,067
Repairs and maintenance		330	321	347
Others		9,253	4,661	3,426
		487,487	650,425	617,305

Note 17 - Operating expenses

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

	Notes	2020	2019	2018
Personnel costs	12, 20	1,085,626	1,380,462	1,200,704
Outside services and professional fees		628,063	737,223	628,250
Outbound freight		300,463	362,382	318,940
Amortization of right-of-use assets	19	193,321	184,438	-
Warranty cost	11	134,160	106,686	89,334
Rent and utilities	14, 19	85,899	84,468	219,900
Provision for impairment of receivables	3	77,917	9,327	5,835
Advertising and promotion		74,852	149,119	179,666
Depreciation and amortization	5	57,734	49,610	42,150
Provision for (Reversal of) inventory obsolescence	4	36,977	(15,827)	(19,894)
Taxes and licenses		40,719	59,432	36,679
Provision for contingencies	12	28,113	4,844	25,505
Amortization of intangible assets	8	26,877	25,048	19,124
Royalty/technical fees	14, 19	24,785	38,397	38,901
Transportation and travel		19,958	55,353	50,058
Repairs and maintenance		7,869	13,526	9,713
Others		149,083	129,157	96,638
		2,972,416	3,373,645	2,941,503

Note 18 - Other operating income, net

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

	Notes	2020	2019	2018
Foreign exchange gains (losses), net	25	58,421	45,006	(36,208)
Interest income		12,108	17,037	12,097
Commission income	14	10,558	27,419	39,520
Loss on foreign exchange forward contracts	26	(15,486)	(19,324)	(9,929)
Gain (Loss) on disposal of property and equipment		(562)	681	3,731
Capital gains tax, net	7	-	(20,640)	-
Miscellaneous		19,924	21,243	15,421
		84,963	71,422	24,632

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

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. 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.

- 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.
- 19.1.9 CTC has a three-year lease contract from June 16, 2019 to June 15, 2022 with MBS Development Corporation for its office space and parking space in Muntinlupa City. The contract is renewable upon mutual agreement of the parties.

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.

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

(a) Amounts recognized in the statement of financial position

Details of right-of-use assets and their movements as at and for the years ended December 31 are as follows:

	Notes	Buildings and leasehold improvements	Warehouses	Office spaces	Vehicles	Others	Total
Cost							
January 1, 2019		70,817	208,502	56,921	191,596	44,222	572,058
Additions		-	184,956	126,089	24,616	88,871	424,532
Disposals		-	(1,933)	-	-	-	(1,933)
December 31, 2019		70,817	391,525	183,010	216,212	133,093	994,657
Additions		1,905	71,128	17,420	26,710	8,979	126,142
Lease terminations		-	-	-	(55,119)	-	(55,119)
Modifications and transfers		-	-	(17,810)	(11,253)	-	(29,063)
December 31, 2020		72,722	462,653	182,620	176,550	142,072	1,036,617
Accumulated amortization							
January 1, 2019		11,404	64,281	7,776	14,571	23,557	121,589
Amortization	16, 17	12,209	110,974	51,165	40,961	14,612	229,921
Disposals		-	(1,208)	-	-	-	(1,208)
December 31, 2019		23,613	174,047	58,941	55,532	38,169	350,302
Amortization	16, 17	13,694	125,744	49,500	37,855	11,886	238,679
Lease terminations		-	-	-	(24,586)	-	(24,586)
Modifications and transfers		-	-	(8,272)	(7,360)	-	(15,632)
December 31, 2020		37,307	299,791	100,169	61,441	50,055	548,763
Net book values							
December 31, 2019		47,204	217,478	124,069	160,680	94,924	644,355
December 31, 2020		35,415	162,862	82,451	115,109	92,017	487,854

Movements in lease liabilities as at December 31 are as follows:

	2020	2019
Beginning	637,548	460,259
Additions	126,142	398,836
Terminations	(44,218)	(409)
Interest expense	21,530	28,566
Principal payments	(230,349)	(221,138)
Interest payments	(21,530)	(28,566)
Ending	489,123	637,548

Details of lease liabilities as at December 31 are as follows:

	2020	2019
Current	63,308	198,841
Non-current	425,815	438,707
	489,123	637,548

(b) 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:

	2020	2019
Amortization expense		
Building and leasehold improvements	13,694	12,209
Warehouse	125,744	110,974
Office space	49,500	51,165
Vehicles	37,855	40,961
Others	11,886	14,612
	238,679	229,921
Interest expense (included in interest expense)	21,530	28,566
Expense relating to short-term leases	836	15,460
Expense relating to leases of low-value assets that are not shown above as short-term leases	5,375	6,512
Expense relating to variable lease payments not included in lease liabilities	29,269	7,117

Certain leased assets were subleased by the Group. Income arising from subleasing amounted to P49,106 (2019 - P32,184).

The total cash outflow for leases for the year amounted to P251,879 (2019 - P249,704).

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 2020 amounted to P9,526 (2019- P11,172; 2018 - P15,428) (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 2020 amounted to P15,259 (2019-P27,225; 2018 - P23,473) (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 2020 amounted to P27,438 (2019 - P25,949; 2018 - P29,505) (Note 16).

19.2.4 Assignment Agreement with OECPI

COPI has an outstanding payable to OECPI as at December 31, 2020 and 2019 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, 2020 and 2019, estimated retirement benefits and obligations for Alstra is deemed immaterial, hence, not provided for.

In February 2021, the CDI's BOD approved to established a non-contributory retirement plan covering all its regular employees. The plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of at least ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 25 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

20.4 COPI

The Company has a funded, non-contributory defined benefit plan covering the retirement and disability benefits to its qualified employees and is being administered by a trustee bank. The normal retirement age is 60 years 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.

20.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to 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, 2020.

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	Teko	Total
<i>2020</i>								
Retirement benefit obligation	21,536	324,295	54,954	77,728	1,601	11,561	1,201	492,876
Retirement benefit expense	2,276	49,674	13,542	18,057	2,340	3,316	777	89,982
<i>2019</i>								
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

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	Teko	Total
<i>2020</i>								
Present value of retirement benefit obligation	21,536	365,293	54,954	77,728	34,774	11,561	1,201	567,047
Fair value of plan assets	-	(40,998)	-	-	(33,173)	-	-	(74,171)
	21,536	324,295	54,954	77,728	1,601	11,561	1,201	492,876
<i>2019</i>								
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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Total
<i>2020</i>								
Beginning	20,040	312,733	59,904	71,840	26,003	8,217	-	498,737
Interest cost	1,028	14,076	2,659	2,760	1,420	543	16	22,502
Current service cost	1,248	43,740	7,646	12,697	2,523	3,166	761	71,781
Transfer of employees	-	(173)	2,876	(2,779)	-	2,503	-	2,427
Benefits paid directly by the Group	-	(14,829)	(8,950)	(8,539)	-	(2,903)	-	(35,221)
Benefits paid from the plan assets	-	(1,075)	-	-	(676)	-	-	(1,751)
Settlements loss (gain)	-	(5,823)	3,237	2,600	-	(393)	-	(379)
Remeasurement loss (gain)								
Changes in financial assumptions	239	28,840	(9,759)	(2,360)	3,635	1,129	79	21,803
Changes in demographic assumptions	(21)	(1,392)	(3,922)	(568)	659	(74)	-	(5,318)
Experience adjustments	(998)	(10,804)	1,263	2,077	1,210	(627)	345	(7,534)
Ending	21,536	365,293	54,954	77,728	34,774	11,561	1,201	567,047
<i>2019</i>								
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

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

	CCAC	COPI	Total
<i>2020</i>			
Beginning	43,014	29,509	72,523
Interest income	2,319	1,616	3,935
Contributions	-	854	854
Benefits paid from the fund	(1,075)	(676)	(1,751)
Remeasurement loss from experience adjustments	(3,260)	1,870	(1,390)
Ending	40,998	33,173	74,171
<i>2019</i>			
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

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	Teko	Total
<i>2020</i>								
Beginning	20,040	269,719	59,904	71,840	(3,276)	8,217	-	426,444
Retirement benefit expense	2,276	49,674	13,542	18,057	2,340	3,316	777	89,982
Remeasurement loss (gain)	(780)	19,904	(12,418)	(851)	3,634	428	424	10,341
Transfer of employees	-	(173)	2,876	(2,779)	-	2,503	-	2,427
Contributions	-	-	-	-	(854)	-	-	(854)
Benefits paid directly by the Group	-	(14,829)	(8,950)	(8,539)	-	(2,903)	-	(35,221)
Remeasurement gain on asset ceiling	-	-	-	-	(243)	-	-	(243)
Ending	21,536	324,295	54,954	77,728	1,601	11,561	1,201	492,876
<i>2019</i>								
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

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

	2020		2019	
	CCAC	COPI	CCAC	COPI
Unit investment trust fund	23%	-	25%	-
Fixed rate treasury notes	67%	88%	63%	99%
Corporate bonds	10%	-	10%	-
Cash and cash equivalents	-	4%	-	1%
Receivables	-	8%	-	-
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, 2021.

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	Teko	Total
2020								
Current service cost	1,248	43,740	7,646	12,697	2,523	3,166	761	71,781
Interest cost	1,028	14,076	2,659	2,760	1,420	543	16	22,502
Interest on the effect of the asset ceiling	-	-	-	-	13	-	-	13
Interest income on plan assets	-	(2,319)	-	-	(1,616)	-	-	(3,935)
Settlement loss (gain)	-	(5,823)	3,237	2,600	-	(393)	-	(379)
	2,276	49,674	13,542	18,057	2,340	3,316	777	89,982
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	Teko	Total
2020									
Beginning		(581)	104,152	15,445	10,381	5	39	-	129,441
Remeasurement loss (gain)		(780)	19,904	(12,418)	(851)	3,634	428	424	10,341
Impact of asset ceiling		-	-	-	-	(243)	-	-	(243)
Tax effect	9	-	(5,973)	3,725	255	(1,017)	(129)	(127)	(3,266)
Ending		(1361)	118,083	6,752	9,785	2,379	338	297	136,273
2019									
Beginning		493	63,410	4,610	5,065	(2,501)	(365)	-	70,712
Remeasurement loss (gain)		(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 (gain)		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	Teko
2020							
Discount rate	3.22%	3.59%	3.85%	3.65%	3.71%	3.61%	5.05%
Salary increase rate	3.70%	5.00%	4.00%	4.80%	4.00%	2.30%	5%
Average expected future service years of plan members	14.1	22.5	20.5	23.9	21.3	21.9	30.1
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	-

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 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	Teko	Total
2020								
Less than a year	19,640	52,900	11,511	7,606	5,932	-	-	97,589
More than 1 year to 5 years	1,363	218,653	16,483	40,755	16,463	8,187	-	301,904
More than 5 years to 10 years	1,988	54,889	30,609	84,483	20,507	12,505	-	204,981
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

The weighted average duration of the defined benefit obligation as at December 31, 2020 is 1.6 to 18.7 years (2019 - 1.5 to 10.2 years).

Note 21 - Equity

21.1 Share capital

As at December 31, 2020 and 2019, 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:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2018	405,879,791	407,264	993,243	(58,824)
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)
Acquisition of treasury shares	(1,263,000)	-	-	(23,540)
December 31, 2020	401,955,091	407,264	993,243	(170,068)

21.2 Retained earnings

Cash dividends declared, attributable to owners of Parent Company, for the years ended December 31 are as follows:

Date declared	Dates paid	Per share	2020	2019	2018
May 13, 2020	June 17, 2020	0.7	282,253	-	-
April 3, 2019	May 10, 2019	1.20	-	486,606	-
April 6, 2018	May 18, 2018	1.20	-	-	487,056
			282,253	486,606	487,056

For the year ended December 31, 2020, NCI from profit distribution of CCAC and COPI amounted to P341,680 and nil, respectively (2019 - P876,060 and P19,500, respectively; 2018 - P412,200 and P19,500, respectively) (Note 7.2).

As at December 31, 2020, the Parent Company's unappropriated retained earnings exceeded its paid-in capital by P1,519,668 (2019 - P1,067,554). The Parent Company annually performs an evaluation of the amount to be declared as dividends. Subsequently, on February 10, 2021, the Parent Company's BOD declared cash dividends in the amount of P1.00 per share totaling to P401,955 for shareholders of record as at March 12, 2021, which will be paid on April 12, 2021.

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 thousand Pesos)
2016				
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
				59,824
2018				
October 09, 2018	October 12, 2018	250,000	37.20	9,300
October 11, 2018	October 16, 2018	124,600	37.20	4,635
				13,935
2019				
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

Trade Date	Date Paid	Shares	Per share	Absolute amount (in thousand Pesos)
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
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
				72,769
2020				
July 28, 2020	July 29, 2020	200,300	19.00	3,806
July 28, 2020	July 29, 2020	1,400	18.50	26
July 28, 2020	July 29, 2020	1,000	18.48	19
July 28, 2020	July 29, 2020	300	18.46	6
July 29, 2020	July 30, 2020	200,000	19.00	3,800
August 18, 2020	August 20, 2020	200,900	19.00	3,817
August 18, 2020	August 20, 2020	700	18.98	13
August 18, 2020	August 20, 2020	400	18.96	8
August 18, 2020	August 20, 2020	600	18.94	11
August 18, 2020	August 20, 2020	1,400	18.92	26
August 18, 2020	August 20, 2020	1,000	18.90	18
August 27, 2020	September 1, 2020	200,000	19.00	3,800
September 1, 2020	September 3, 2020	455,000	18.00	8,190
				23,540
				170,068

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:

	2020	2019	2018
Net income attributable to owners of the Parent Company	470,919	946,764	913,237
Weighted average common shares - basic and diluted (in '000)	402,751	405,243	405,795
Basic and diluted earnings per share	1.17	2.34	2.25

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 Alstra business (formerly 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 business

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 business (formerly BIS business)

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:

	CLS business	Alstra business	Others	Total
2020				
Net sales and services	8,151,500	2,585,472	27,948	10,764,920
Timing of revenue recognition				
At point in time	8,151,500	-	8,778	8,160,278
Over time	-	2,585,472	19,170	2,604,642
Cost of sales and services	(5,197,775)	(1,623,521)	(15,840)	(6,837,136)
Gross profit	2,953,725	961,951	12,108	3,927,784
Depreciation and amortization*	(75,211)	(41,964)	(49,968)	(167,143)
Amortization of right-of-use assets	(177,746)	(43,088)	(17,845)	(238,679)
Operating expenses	(2,009,713)	(720,007)	(242,696)	(2,972,416)
Interest expense	(11,536)	(8,464)	(8,057)	(28,057)
Interest income	4,779	4,936	2,393	12,108
Share in net income of associates	5,925	-	17,074	22,999
Income tax expense	(300,704)	(82,681)	34,666	(348,719)
Net income for the year	703,838	178,440	(195,724)	686,554
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*	(81,822)	(26,933)	(41,903)	(150,658)
Amortization of right-of-use assets	(155,460)	(61,846)	(12,615)	(229,921)
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 income of associates	7,371	-	23,267	30,638
Income tax expense	(453,006)	(216,685)	20,616	(649,075)
Net income for the year	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*	(69,421)	(25,187)	(34,258)	(128,866)
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)
Income tax expense	(475,631)	(220,818)	11,281	(685,168)
Net income for the year	1,041,964	582,337	(167,339)	1,456,962

*Depreciation and amortization referring to total charges 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
2020	617,120	41,452	23,428	272,049	954,049
2019	755,199	(826)	11,277	461,802	1,227,452
2018	625,882	150,119	18,442	221,192	1,015,635

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

	CCAC	CDI	COPI	Others	Total
<i>2020</i>					
Current assets	5,509,372	2,701,729	885,039	740,669	9,836,809
Non-current assets	1,041,490	355,388	969,211	476,932	2,843,021
Current liabilities	2,491,868	1,023,266	486,717	456,326	4,458,177
Non-current liabilities	717,760	58,184	29,821	122,330	928,095
Other information					
Investment in associates	83,397	-	-	68,318	151,715
Additions to non-current assets					
Property and equipment	39,843	28,989	3,350	23,423	95,605
Intangible assets	-	-	-	18,046	18,046
<i>2019</i>					
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 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
<i>2020</i>					
Yen	-	(27,390)	(27,390)	0.47	(12,873)
U.S. Dollar	943	(16,771)	(15,828)	48.06	(760,694)
Chinese Yuan	-	(506)	(506)	7.34	(3,714)
Euro	2	(136)	(134)	58.37	(7,822)
	945	(44,803)	(43,858)		(785,103)
<i>2019</i>					
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)
<i>2018</i>					
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)

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

	Note	2020	2019	2018
Realized foreign exchange gains (losses), net		9,645	27,911	(27,944)
Unrealized foreign exchange gains (losses), net		48,776	17,095	(8,264)
	18	58,421	45,006	(36,208)

Note 26 - Financial risk and capital management

26.1 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 2020 and 2019.

26.1.1 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, 2020, foreign exchange forward contracts amount is nil (2019 - P8,707) 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 P15,486 loss (2019 - P19,324; 2018 - P9,929) 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, 2020, if the Philippine Peso had weakened/ strengthened by 5.23% (2019 - 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 P20,510 (2019 - 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, 2020, if the Philippine Peso had weakened/strengthened by 3.89% (2019 - 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 P250 (2019 - 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, 2020 and 2019.

(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, 2020, if the market prices of the Group's purchases increase/decrease by 2.6% (2019 - 3.5%; 2018 - 5.2%) (based on average price inflation), equity and profit before tax for the year would have been lower/higher by P58,484 (2019 - 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.

26.1.2 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.

26.1.3 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	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	-
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
Stand-By Letter of Credit				
Citibank				
Bills purchased line	Philippine Peso	45,000	Philippine Peso	45,000
Letters of credit	U.S. Dollar	7,800	U.S. Dollar	7,800
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 December 31, 2020 and 2019, all of the Group's financial liabilities are due and demandable within 12 months except for a portion of the lease liabilities which are expected to be settled in regular intervals until the end of the lease term. The Group expects to settle these obligations in accordance with their respective maturity dates. Except for lease liabilities which are discounted using the effective interest rates, 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.

26.2 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	(170,068)	(146,528)
Retained earnings	4,251,057	4,063,053
	5,481,496	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 December 31, 2020 and 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 as at December 31, 2020 and 2019.

26.3 Fair value estimation of financial assets and liabilities

The Group's financial assets at fair value through profit or loss and foreign exchange forward contracts, which are measured at fair value, qualify under Level 1 and Level 2, respectively. 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, 2020 and 2019, the Group has no other financial assets or liabilities measured and carried at fair value that would qualify as Level 3.

Note 27 - 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:

27.1 Critical accounting estimates and assumptions

27.1.1 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, 2020 would be an estimated +P26,587/ -P24,488 (2019 - +P127,720/ -P147,985) (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.

27.1.2 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 18.7% (2019 - 17.0%) income before tax and equity would have been P45,356 (2019 - P18,556) 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.

27.1.3 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:

	2020		2019	
	%	Impact	%	Impact
Average decrease due to 100 basis point (bps) decrease in discount rate	(6.61%)	(4,335)	(6.20%)	(5,113)
Average increase due to 100 bps decrease in discount rate	7.78%	4,918	7.05%	5,805
Average increase due to 100 bps increase in salary increase rate	7.68%	4,817	6.98%	5,736
Average decrease due to 100 bps decrease in salary increase rate	(6.58%)	(4,274)	(6.25%)	(5,152)

27.1.4 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 34% (2019 - 31%), profit before tax and equity would have been P121,361 (2019 - P355,252) 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.

27.1.5 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.

27.1.6 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 (Note 15).

27.1.7 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.

27.1.8 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.

27.2 **Critical judgments in applying the Group's accounting policies**

27.2.1 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, 2020 and 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, 2020 and 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 2020.

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.

In 2020, management has also considered the impact of the COVID-19 pandemic on COPI's ongoing and future projects in assessing its forecasted revenue growth.

Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2021 to 2025 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, 2020.

The following are the key assumptions used:

	2020	2019
Revenue growth rate (average per past experience)	15.00%	17.00%
Pre-tax adjusted discount rate	8.18%	13.08%
Terminal growth rate	3%	3%

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, 2020 and 2019.

27.2.2 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.

27.2.3 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, 2020 and 2019, based on management's assessment and judgment, the carrying value of its investment in associates is not impaired. CMI is already profitable in 2020 and 2019 while the newly acquired Tenex, management has assessed that its losses would be temporary.

27.2.4 Provision for impairment of receivables

The provision for impairment of receivables is based on assumptions about risk of default and expected loss rates. The Group uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

Management believes the carrying amount of receivables is fully recoverable. The Group's policy in estimating provision for impairment of receivables is presented in Notes 28.4 and 28.5. The carrying amounts of trade and other receivables and other information are disclosed in Note 3.

27.2.5 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, 2020 amounts to P90,904 (2019 - P55,631). 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.

27.2.6 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.

27.2.7 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 it 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.

27.2.8 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.

27.2.9 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) (Note 19). 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.

27.2.10 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 28 - 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.

28.1 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, except for:

- forward contracts payable under financial liabilities at FVPL, and;
- the pension asset recognized as the total of the fair value of plan assets less the present value of the defined benefit obligation.

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 27.

Changes in accounting policy and disclosures

(a) New standards, amendments to existing standards and interpretations adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material - amendments to IAS 1 and IAS 8
- Definition of a Business - amendments to IFRS 3
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- COVID-19-related Concessions - Amendments to IFRS 16

The Group also elected to adopt Annual Improvements to IFRS Standards 2018-2020 Cycle early.

The amendments listed above did not have a significant impact on the consolidated financial statements.

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

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

28.2 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.

28.2.1 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, 2020 and 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	-	58	-	52

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; and Teko is 42% as at December 31, 2020 (2019 - COPI is 49%; CCAC is 40%; and Teko is 48%). 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 PFRS 9 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.

28.2.2 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 in this consolidated financial statements. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income 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.

28.3 Cash and cash equivalents

Cash and cash equivalents, which are carried at amortized cost, 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 28.7).

28.4 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 28.5. 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.

28.5 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.

28.5.1 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.

(i) 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.

(ii) 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.

28.5.2 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 PFRS 9 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 28.14) (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions) and borrowings (Note 28.15).

(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*

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.

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.

28.5.3 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, 2020 and 2019, there are no financial assets and liabilities that were offset.

28.6 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, 2020 and 2019, the Group does not hold financial and non-financial assets and liabilities at fair value other than foreign exchange forward contracts (Note 28.5).

28.7 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.

28.8 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.

28.9 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 28.12).

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).

28.10 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Land is not depreciated. 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.

28.11 Intangible assets

28.11.1 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.

28.11.2 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.

28.11.3 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.

28.12 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.

28.13 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.

28.14 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 28.5.

28.15 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 28.5.

28.16 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.

28.17 Equity

28.17.1 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.

28.17.2 Retained earnings

Retained earnings include current and prior years' results of operations, and reduced by 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.

28.17.3 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.

28.17.4 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.

28.18 Earnings per share

28.18.1 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.

28.18.2 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.

28.19 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.

28.20 Revenue, cost and expense recognition

28.20.1 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.

28.20.2 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.

28.21 Leases - Group as lessee

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.

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.

(a) 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.

(b) 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 of between 3 to 10 years 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.

(c) 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.

(d) 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.

28.22 Employee benefits

28.22.1 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, Alstra and Teko 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.

28.22.2 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.

28.22.3 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.

28.22.4 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 2020 and 2019.

28.23 Foreign currency transactions and translation

28.23.1 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.

28.23.2 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.

28.24 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.

28.25 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.

28.26 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.

On March 26, 2021, (RA No.11534), otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

As at December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020.

For financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event.

Had the new CIT rates been applied on the December 31, 2020 financial statements of the Group, the newly enacted income tax rate would have resulted in lower deferred tax assets, net, lower income tax expense, and higher net income. As at report date, an estimate of the financial effect of the CREATE law cannot be made yet.

28.27 Impact of Coronavirus disease (Covid-19)

Subsequent to the outbreak of the COVID-19 pandemic in early 2020, a series of measures to curb the COVID-19 outbreak has been and continues to be implemented in countries where the Group and its related parties operates. The Group has taken appropriate measures to preserve the health and safety of its employees and stakeholders as well as the business operations and in compliance with government mandated issuances and regulations.

The pandemic has slowed down the Group's sales as a result of government-imposed restrictions in the country starting March 17, 2020. Recovery was seen in the demand of its products starting the third quarter of 2020 as more consumers remained on lockdown. The Group did not have major difficulties in the collection of outstanding receivables for sales earned in 2020.

The Group is closely monitoring the status of the COVID-19 pandemic and its continuing impact on its business operations and is optimistic that the pandemic would not have a significant long-term impact on the Group's financials. The Group will continue to address the issues that directly affect its business operations and to look for measures to mitigate and reduce impact to its profitability. Management has also considered the impact of the pandemic in determining the recoverability of its assets and sufficiency of provisions as at December 31, 2020.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
December 31, 2020

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
Long-Term Debt	D
Indebtedness to Related Parties	E
Guarantees of Securities of Other Issuers	F
Capital Stock	G

Additional Components of Financial Statements

Schedule of Financial Soundness Indicators
A Map Showing Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
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, 2020
(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, 2020

(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
Acosta, Melanie	-	213	36	-	177	-	177
Alejandrino, Michael	228	-	52	-	176	-	176
Aquino, Ronald	118	2,635	2,041	-	712	-	712
Aquino, Sherwin	-	446	104	-	342	-	342
Arquesa, Alvin	383	226	278	-	331	-	331
Asprer, Ma. Christina	136	297	106	-	327	-	327
Baculo, Frank	-	123	-	-	123	-	123
Barredo, Teddy	254	-	107	-	147	-	147
Basilad, Marlo	274	-	69	-	205	-	205
Buenaobra, Jerome	302	108	196	-	214	-	214
Caingcoy, Marlot	146	75	100	-	121	-	121
Cambi, Sheryl	-	169	-	-	169	-	169
Canseco, Edgardo	248	-	53	-	195	-	195
Castillo, Kevin Roy	368	-	136	-	232	-	232
Chua, Amelia	190	-	52	-	138	-	138
Cosico, Dennis	213	30	107	-	136	-	136
Cristoria, Vilma	194	-	52	-	142	-	142
Cruz, Maria Joanna	-	148	-	-	148	-	148
Cruz, Rachel	267	-	64	-	203	-	203
Cudiamat, Leonilo	296	53	41	-	308	-	308
Cuntapay, Lorelei	110	107	107	-	110	-	110
Dangla, Ark	33	85	-	-	118	-	118
Danilla, Rosalia	190	-	52	-	138	-	138
Dela Cruz, Riam	147	-	14	-	133	-	133
Geniston, Ryan	-	245	93	-	152	-	152
Gillesania, Jan Michael	78	160	84	-	154	-	154
Gutierrez, Janette	256	-	103	-	153	-	153
Juatco, Joseph	254	-	88	-	166	-	166
Khan, Raymond	253	-	69	-	184	-	184
Lazaro, Christian	129	226	64	-	291	-	291
Lozada, Marie Christian	274	-	69	-	205	-	205
Magdamit, Resyl	138	-	20	-	118	-	118
Mariano, Dante	-	903	-	-	903	-	903
Mercado, Leslie	66	144	26	-	184	-	184
Miranda, Lea Angela	-	1,194	-	-	1,194	-	1,194
Montemayor, Lei-lani	79	258	105	-	232	-	232
Moral, Reynaldo	20	115	20	-	115	-	115
Navarro, Melissa	-	110	-	-	110	-	110
Ocampo, Paula	201	-	27	-	174	-	174
Ofrecio, David	285	-	142	-	143	-	143
Olitan, Jaime Jr.	281	-	70	-	211	-	211
Punongbayan, John Alfred	85	92	10	-	167	-	167
Quiambao, Ronine	32	79	-	-	111	-	111
Razonable, Jerome	240	-	98	-	142	-	142
Reglos, Raymond	742	-	471	-	271	-	271
Repollo, Jennifer	-	144	42	-	102	-	102
Reyes, Jhenalyne	22	1,108	6	-	1,124	-	1,124
Rodriguez, Estrella	155	-	26	-	129	-	129
Salazar, Emmanuel	-	789	131	-	658	-	658
Sales, Tereso	190	-	52	-	138	-	138
Santiago, Dyanne	146	-	44	-	102	-	102
Tayamora, Rogelio	414	559	315	-	658	-	658
Trangco, Annunciata	-	640	133	-	507	-	507
Yap, Cecille	280	-	96	-	184	-	184
Others	15,660	13,720	12,411	-	16,969	-	16,969
Total	24,377	25,201	18,582	-	30,996	-	30,996

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, 2020
(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	702	865,773	(862,542)	-	3,933	-	3,933
Concepcion-Carrier Air Conditioning Company, Subsidiary	56,071	101	(17,954)	-	38,218	-	38,218
Concepcion Durables Inc., Subsidiary	4,803	19,450	(16,724)	-	7,529	-	7,529
Concepcion Business Services, Inc., Subsidiary	50,097	470,301	(473,742)	-	46,656	-	46,656
Cortex Technologies Corporation, Subsidiary	7,036	33,963	(19,320)	-	21,679	-	21,679
Concepcion-Otis Philippines, Inc., Subsidiary	-	-	-	-	-	-	-
Teko Solutions Asia Inc. Subsidiary	-	13,731	(12,703)	-	1,028	-	1,028
Alstra Incorporated Subsidiary	-	8	(8)	-	-	-	-

Concepcion Industrial Corporation and Subsidiaries

Schedule D - Long-Term Debt
As at December 31, 2020
(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 E - Indebtedness to Related Parties
(Long-Term Loans from Related Companies)
As at December 31, 2020
(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 F - Guarantees of Securities of Other Issuers

As at December 31, 2020

(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 G - Capital Stock
As at December 31, 2020

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	401,955,091	N/A	4,178,685	14,208,474	N/A

Concepcion Industrial Corporation and Subsidiaries

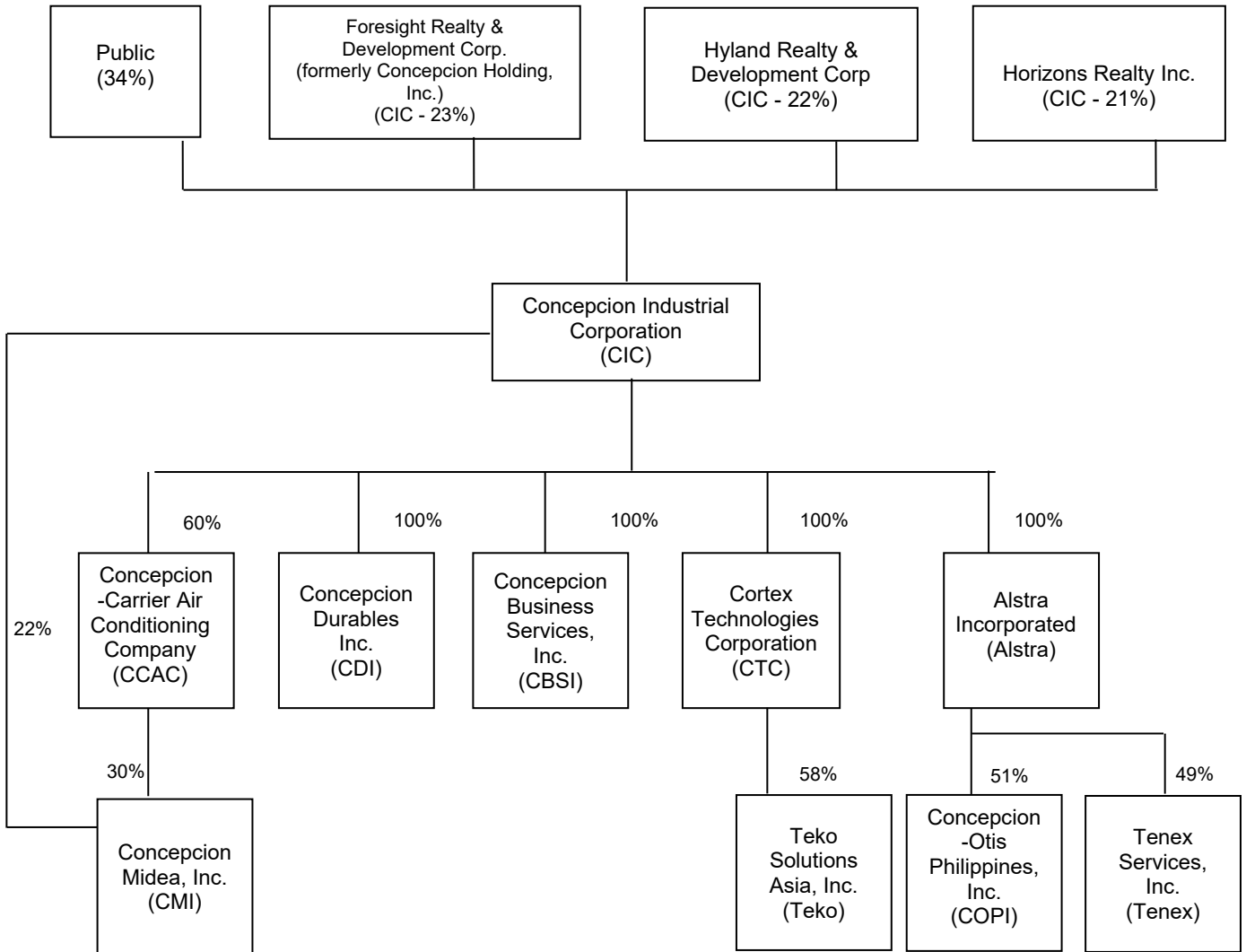
Additional Components of Financial Statements Schedule of Financial Soundness Indicators As at and for years ended December 31, 2020 and 2019

Ratio	Formula	Current Year	Prior Year
	Total Current Assets divided by Total Current Liabilities		
Current ratio	Total Current Assets	9,836,809	
	<u>Divide by: Total Current Liabilities</u>	<u>4,458,177</u>	2.21
	Current ratio	2.21	2.31
	Quick assets (<i>Total Current Assets less Inventories and Other Current Assets</i>) divided by Total Current Liabilities		
Acid test ratio	Total Current Assets	9,836,809	
	Less: Inventories	(2,462,017)	
	<u>Other current assets</u>	<u>(76,258)</u>	1.64
	Quick assets	7,298,534	
	<u>Divide by: Total Current Liabilities</u>	<u>4,458,177</u>	1.68
Acid test ratio	1.64		
	Total Assets divided by Total Liabilities		
Solvency ratio	Total Assets	12,679,830	
	<u>Divided by: Total Liabilities</u>	<u>5,386,272</u>	2.35
	Solvency ratio	2.35	2.49
	Total Liabilities divided by Total Equity		
Debt-to-equity ratio	Total Liabilities	5,386,272	
	<u>Divided by: Total Equity</u>	<u>7,293,558</u>	0.74
	Debt-to-equity ratio	0.74	0.67
	Total Assets divided by Total Equity		
Asset-to-equity ratio	Total Assets	12,679,830	
	<u>Divided by: Total Equity</u>	<u>7,293,558</u>	1.74
	Asset-to-equity ratio	1.74	1.67
	Earnings before interest and tax divided by Interest expense		
Interest rate coverage ratio	Earnings before interest and tax	1,063,331	
	<u>Divided by: Interest expense</u>	<u>28,057</u>	37.90
	Interest rate coverage ratio	37.90	59.43
	Net income attributable to owners of the Parent Company divided by average equity (net of Non-controlling interest)		
Return on average equity	Net income	470,918	
	<u>Divided by: Average equity</u>	<u>5,312,577</u>	8.86%
	Return on equity	8.86%	18.72%

Ratio	Formula	Current Year	Prior Year
	Net income divided by average Total Assets		
Return on average assets	Net income 686,554 Divided by: average Total Assets <u>12,408,807</u> Return on assets 5.53%	5.53%	12.37%
	Gross profit (<i>Net sales less cost of sales and services</i>) divided by Net sales		
Gross profit margin	Net sales 10,764,920 Less: Cost of sales and services <u>(6,837,136)</u> Gross profit 3,927,784 Divided by: Net sales <u>10,764,920</u> Gross profit margin 36.49%	36.49%	35.75%
	Income before income tax divided by Net sales		
Profit before tax	Income before income tax 1,035,273 Divided by: Net sales <u>10,764,920</u> Profit before tax 9.62%	9.62%	13.80%
	Net income attributable to owners of the Parent Company divided by average outstanding shares		
Earnings per share	Net income 470,918 Divided by: Outstanding shares <u>402,751</u> Earnings per share 1.17	1.17	2.34
	Total equity (net of non-controlling interest) divided by average outstanding shares		
Book value per share	Total equity 5,395,226 Divided by: Outstanding shares <u>402,751</u> Book value per share 13.40	13.40	12.91

Concepcion Industrial Corporation and Subsidiaries

Additional Components of Financial Statements
 A Map Showing Relationships between and among the Parent Company and its
 Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
 As at December 31, 2020



Annex 68-C

Concepcion Industrial Corporation and Subsidiaries

308 Gil Puyat Avenue
Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2020
(All amounts in Philippine Peso)

Unappropriated retained earnings, based on audited financial statements, beginning		2,614,589,434
Less: Treasury shares		(146,528,080)
		<u>2,468,061,354</u>
Add: Net income actually earned/realized during the year	757,906,852	
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	757,906,852	
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	757,906,852	757,906,852
Add (Less):		
Dividend declarations during the year		(282,252,664)
Appropriations of retained earnings during the year		-
Reversals of appropriations		-
Effects of prior period adjustments		-
Treasury shares		(23,540,360)
Accumulated share in income of an associate		-
Unappropriated retained earnings, end		2,920,175,182

CONCEPCION INDUSTRIAL CORPORATION (CIC)
SUSTAINABILITY REPORT
For the Period of
January 1, 2020 to December 31, 2020

Contextual Information

Company Details	
Name of Organization	CONCEPCION INDUSTRIAL CORPORATION (CIC or the “Company”)
Location of Headquarters	Muntinlupa City
Location of Operations	Muntinlupa City Makati City Cabuyao, Laguna
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	Concepcion-Carrier Air-Conditioning Company (CCAC) Concepcion Durables, Inc. (CDI) Concepcion Midea, Inc. (CMI) Concepcion-Otis Philippines, Inc. (COPI) Concepcion Business Services, Inc. (CBSI) Cortex Technologies Corporation (CTC) Alstra Incorporated (AI) Teko Solutions Asia, Inc. (Teko) Tenex Services, Inc. (Tenex)
Business Model, including Primary Activities, Brands, Products, and Services	The Company is primarily a holding company which operates principally through its subsidiaries. It is one of the Philippines’ most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators, and 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, 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.
Reporting Period	<u>January 1, 2020 to December 31, 2020</u>
Highest Ranking Person responsible for this report	Raul Joseph Concepcion, Chairman and Chief Executive Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹

Issues are ranked by the Company in accordance with the direct impact to its business, mission and core values, all of which influence the Company’s business decisions and activities.

The Company’s Mission is “Building Better Lives and Businesses – Solutions, Comfort, Convenience”. The Company’s Core Values are Performance, Customer-centricity, Environment, Health and Safety, Quality, Employee Engagement, Integrity and Ownership.

Performance. We are a High-Performance Organization, and our utmost expectations for ourselves speak of the level of performance we commit to our customers, our colleagues, and our shareholders. Exceeding their expectations is our utmost priority.

Meritocracy is a principle we deeply believe in, and we know that the level of returns we expect is always commensurate to the level of value we deliver to all our stakeholders.

Customer-Centricity. We know that if we focus on our customers, all things that should be important in what we do and how we do it will always follow. We treat each customer, whether internal or external, as integral parts of our business.

We listen to them, deliver on our commitments, and hold their satisfaction at the core of our business. We care for our customers, and our systems and processes make it easier to deal with us.

Environment, Health and Safety. Our output reflects the DNA of who we are, and this is evident in the utmost safety we ensure in all our products and in the delivery of our services.

We provide our employees with a safe and hazard-free workplace where we continuously promote good health, a healthy lifestyle, and an environment that fosters balanced well-being.

Quality. We do not take shortcuts and we never compromise on quality. We embrace a culture of excellence in everything that we do. As such, we are able to take pride in the results that we deliver.

¹ See [GRI 102-46](#) (2016) for more guidance.

Employee Engagement. In no small measure, we believe that our success depends on the high level of engagement of our employees — our Company’s most important asset. The more we remember this, the more successful we have become.

We believe that our capability to do things is a shared responsibility between the Company and employees, and so we work together to develop ourselves and our organization to the fullest of our collective potential.

Our culture is one that ensures that our employees are fully engaged and are capable and empowered to make the right decisions.

Integrity. We do the right thing, the right way, all the time. We always remember to act with the utmost respect in dealing with all our stakeholders and never forget to preserve the dignity of anyone we interact with. We self-check our own decisions, and immediately escalate potential compliance concerns to those who are able to act on them. We maintain our integrity at all times, especially in challenging situations.

Ownership. “Malasakit”, or a strong sense of ownership, defines everything that we do. We share a sense of loyalty to both the company and the people we work with. We value stewardship, accountability, and responsibility in our work and all of our interactions.

We know that whatever we do, however big or small our role is in our organization, contributes to Nation Building. This is how we personally find the drive and relevance in “Building Better Lives and Businesses”. We always go the extra mile because this is our way of giving back.

Material Sustainability Issues

Identified sustainability issues are as follows:

1. Economic
 - a. Economic Performance
 - b. Indirect Economic Impact
 - c. Anti-Corruption
2. Environmental
 - a. Environmental Compliance
3. Social
 - a. Employment
 - b. Training and Education
 - c. Labor-Management Relations
 - d. Relationship with Community
4. UN Sustainability Development Goals Contribution: Industry, Innovation and Infrastructure - Fostering innovation.

ECONOMIC

a. Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount ('000)	Units
Direct economic value generated (revenue)	10,764,920(a)	PhP
Direct economic value distributed:		
a. Operating costs	2,972,416 (b)	PhP
b. Employee wages and benefits	1,171,909(c)	PhP
c. Payments to suppliers, other operating costs	6,709,291 (d)	PhP
d. Dividends given to stockholders and interest payments to loan providers	630,460 (e)	PhP
e. Taxes given to government	274,267 (f)	PhP
f. Investments to community (e.g., donations, CSR)	18,242,256 (g)	PhP

Notes:

- (a) Based on Audited Financial Statements (AFS), this is Net Sales
- (b) Based on AFS, this is Operating Expenses
- (c) Based on AFS, this is composed of Personnel Costs and are lodged under Cost of Services (86,283) and Operating Expenses (1,085,626)
- (d) Based on AFS, this is composed of total Cost of Sales and Services less Depreciation and Amortization of Property, Plant and Equipment, Amortization of Right-of-Use Assets, and Amortization of Intangibles
- (e) Based on AFS, this is composed of cash distribution of profits (623,933) and interest paid on short-term borrowings (6,527). Can be referred in the Statement of Cash Flows
- (f) Based on AFS, this is the net income tax paid. Can be referred in the Statement of Cash Flows.
- (g) Total donations to various institution.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<ul style="list-style-type: none"> With Performance as core value, Direct Economic Value Generated and Distributed, particularly, revenue from sales and value generated from business activities, is material as this directly impacts the lives of employees, the value generated for investors and their returns on investment, continued improvement of the quality of products and services, resilience of the organization, and contribution to the government and community. 	<ul style="list-style-type: none"> Investors Employees Government Suppliers and Service Providers Consumers 	<ul style="list-style-type: none"> Policies - The Company adheres to corporate governance principles under the prevailing Corporate Governance Code² and implements an Enterprise Risk Management Framework³ to set the strategy across the enterprise, identify potential events that may affect the entity and manage risk to be within its risk appetite, and to provide reasonable assurance regarding the achievement of entity objectives.
<p>What are the Risk/s Identified?</p>		<ul style="list-style-type: none"> Responsibilities – Risk management function follows a governance structure that is inherent and supported at all organizational levels.⁴
<ul style="list-style-type: none"> The risks for CIC's businesses are identified and detailed in Appendix A of the CIC Enterprise Risk Management Framework.⁵ For 2020, CIC management identified the following challenges: <ul style="list-style-type: none"> Impact of COVID-19 and government restrictions on business operations and travel Philippine economic situation amidst COVID-19 Weak commercial markets 		<ul style="list-style-type: none"> Commitments - For the year 2020, the Company identified key focus areas to address identified challenges and opportunities: <ul style="list-style-type: none"> A new independent director, Mr. Justo A. Ortiz, joined in 2020 to head the Strategy and Investment Committee COVID-19 Response focused on three main areas: <ul style="list-style-type: none"> Focus on Business Survival and Cash-Flow – The Company adopted several measures to manage cash-in and outflows Return to Work/Employee and Workplace Readiness – The Company implemented return to

² Please refer to 2020 CIC Annual Corporate Governance Report: <https://www.cic.ph/download/cic-i-acgr-2020r/> and CIC Corporate Governance Manual: <https://www.cic.ph/download/revised-corporate-governance-manual/?wpdmdl=5452&refresh=5f28d88db12861596512397>

³ Please refer to CIC Enterprise Risk Management Framework: <https://www.cic.ph/download/policy-on-enterprise-risk-management/?wpdmdl=4624&ind=1563769085521>

⁴ Ibid. at Page 7

⁵ Ibid. at page 24

What are the Opportunity/ies Identified?		
<ul style="list-style-type: none"> • For 2020, CIC management identified the following: <ul style="list-style-type: none"> ○ Consumer and channel engagement ○ Recovering consumer markets ○ Accelerating e-commerce traction ○ Successful cost reduction efforts ○ Preparing for the “new normal” 		<p>work guidelines, site readiness checklists, third party readiness checklists, EH&S equipment, office site and field site protocols and preparation for business implications and scenarios.</p> <ul style="list-style-type: none"> ▪ Preparing for the New Normal - The strategic direction focused adapting to the “New Reality”. This includes go to market acceleration, adapting to longer term demand, and flexible/scalable supply chain ○ Internal to the organization, CIC implemented programs to keep employees safe and connected during prolonged work from home periods. This included: <ul style="list-style-type: none"> ▪ CIC-wide webinars on collaboration, innovation and learning ▪ Internal and External Communication Channels ▪ Corporate social responsibility activities ○ Corporate Social Responsibility Activities: <ol style="list-style-type: none"> 1. Project Ugnayan - CIC participated in the project of Philippine Disaster Relief Foundation which aimed to distribute 1000 Peso Gift Certificates to one million households. Together with a group of 32 private companies, the project was able to provide for five million families from the economically vulnerable communities of greater Metro Manila (including Rizal, Bulacan, Cavite and Laguna). Aside from the gift certificates, the project was able to distribute food to a total of 1.5 million families.

		<p>2. Product donations for COVID-19 Facilities and Emergency Quarantine Tents – The CIC Group donated various air conditioning, refrigeration equipment and washing machines to medical facilities such as Medical South City Sta. Rosa. Laguna, UP Manila NIH, Camp Aguinaldo, Batangas Medical Center, BCDA and National Kidney Institute.</p> <p>3. We Care Project – Cortex Technologies Corp. developed an online platform for donee and donor matching to quickly distribute medical supplies and PPE to those medical institutions in need. CIC partnered with ABS-CBN Foundation’s Pantawid ng Pag-ibig program to help in determining donees and funding donation requests.</p> <p>4. Be the Light Project - The CIC group extended help to 600 families affected by Typhoon Ulysses with emergency aid items such as sleeping mats and nets. As second wave of the initiative, in partnership with Assumption Alumni Association (AAA), 6,500 Noche Buena food packs were distributed to less fortunate communities in Samar, Baguio, Pampanga, Mandaluyong and Muntinlupa.</p>
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b. Indirect Economic Impact

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Considering the core values of Customer-centricity, Quality and Ownership, CIC brands offer an array of innovative and energy-efficient solutions that lower costs and are environmentally responsible, which the Company considers to have indirect economic impact to investors, consumers and the government.</p> <p>The following are some examples:</p> <p>New Air Quality Products</p> <ul style="list-style-type: none"> • Different models of air purifiers were launched across 4 brands (Carrier, Condura, Toshiba, Midea) in response to the need for COVID-19 prevention tools in home and work spaces. • Carrier launched OptiClean, a portable “air scrubber” and negative air machine designed for hospital rooms and other potentially contaminated areas to help against the spread of COVID-19. Potential future uses include homes, businesses, and assisted living facilities. <p>Carrier⁶</p> <ul style="list-style-type: none"> • Carrier is a leader in the phase-out of ozone-depleting 	<ul style="list-style-type: none"> • Investors • Government • Consumers 	<ul style="list-style-type: none"> • Policies, Responsibilities - As part of its Enterprise Risk Management Framework ⁹, CIC Board and Management identifies the strategic direction of its businesses and considers energy-efficient solutions that lower costs and are environmentally responsible. • Commitments - 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

⁶ 2018 UTC Corporate Responsibility Report

⁹ Id. Note 4

<p>refrigerants and remains focused on delivering energy-efficient fire safety, security, building automation, refrigeration and HVAC systems and services for customers.</p> <ul style="list-style-type: none"> Carrier continues to invest in research and development, applying the newest technological innovations to create ever more sustainable solutions that surpass the already stringent environmental performance targets designed into our products. The Carrier AquaEdge 23XRV chiller is the world's leading efficiency screw chiller, 42 percent more efficient than the industry standard.⁷ Carrier's Infinity Controls, combined with its energy-efficient geothermal solutions, are 45 percent more energy efficient than standard residential heating and cooling systems. CCAC recently launched "Carrier Aura" window type air-conditioner. This model has exceptional energy efficiency with an energy ratio of 11kj/WH for non-inverter models, and 11.7Kj/WH for inverter models, engineered with quality and proven expertise. <p>Otis⁸</p> <ul style="list-style-type: none"> Otis has been a pioneer in developing sustainable 		<p>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.</p>
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⁷ Among electric-driven, water-cooled chillers as measured by Integrated Part Load Value conditions based on ASHRAE 90.1 2010 minimum requirement.

⁸ Id. Note 6

<p>technologies like the ReGen drive. Now standard on our Gen2 and SkyRise elevators, the ReGen drive captures energy that would otherwise be wasted as heat and converts it into reusable energy for other building systems. Another Otis innovation, our CompassPlus destination dispatching technology, saves energy by moving some elevators to standby mode when traffic is light.</p> <ul style="list-style-type: none"> • Otis' Gen2 elevator with ReGen drive is smaller and capable of reducing overall elevator energy consumption by 75 percent under normal operation, compared to conventional geared machines with non-regenerative drives. • The CompassPlus destination management system directs passengers to the elevator that will get them to their destination significantly faster than conventional dispatching systems. The system conserves energy by moving some elevators to standby mode when traffic is light. <p>Midea and Toshiba Lifestyle</p> <ul style="list-style-type: none"> • Midea's washing machines are energy and water efficient, averaging a cost of P2.00 per wash load, P10.00 to dry clothes and with 70% water savings. • Midea air-conditioners utilize environment friendly refrigerants and have high energy efficiency ratio ratings. 		
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- Appliances marketed generally have low power input requirements.

Condura

- Some Condura Air-conditioning Units are equipped with an Energy Savings Plug (ESP). The ESP alternates electricity usage between the air-conditioning unit and an electric fan, which in turn helps in lowering household electricity consumption. It was conceptualized by Condura to work in tandem with the air-conditioning unit's timer, in order to help the user save on household electricity costs.
- Recently, Condura launched its No-Frost Refrigerators line. The products incorporate inverter technology combined with the convenience of no-frost freezers for energy-efficient usage and user-friendly maintenance, contributing to overall cost savings for the household. The energy consumption savings can be as much as 50%.

What are the Risk/s Identified?

Availability of products depend on continued business relationships with the partners.

What are the Opportunity/ies Identified?

New product introductions

c. Anti-corruption

Communication and training about anti-corruption policies and procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization’s anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization’s anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Related to Integrity as one of the core values of the company, CIC is committed to the highest standards of ethics and business conduct, thus, it has in place an Ethics Program that is designed to foster lawful and ethical behavior among the directors, officers, employees, representatives and suppliers of CIC and its subsidiaries, and to prevent and detect unlawful and improper conduct including corruption.</p> <p>What are the Risk/s Identified?</p>	<ul style="list-style-type: none"> • Investors • Employees • Government • Partners, Suppliers and Service Providers • Consumers • Competitors • Communities 	<ul style="list-style-type: none"> • Policies/Commitments /Responsibilities – <p>Ethics Program. The Ethics Program consists of the Code of Ethics¹⁰, Ethics Training, Annual Ethics Certification, the Whistleblowing System (ProActive), the Ethics Committee, and the Business Practices Officers. As stated earlier, it is designed to foster lawful and ethical behavior among the directors, officers, employees, representatives and suppliers of CIC and its subsidiaries, and to prevent</p>

¹⁰ Please refer to CIC Code of Ethics: <https://www.cic.ph/download/cic-code-of-ethics/>

<p>Ethical Behavior Risk - The organization, through its actions or inaction, demonstrates that it is not committed to ethical and responsible business behavior.</p> <p>Integrity Risk - The risk of management fraud, employee fraud, and illegal and unauthorized acts, any or all of which could lead to reputation degradation in the marketplace or even financial loss.</p>		<p>and detect unlawful and improper conduct.</p> <p>CIC’s Code of Ethics (COE) does not merely require compliance with laws. It embodies a commitment to positive behaviors that build trust, promote respect, and demonstrate integrity. CIC’s Code of Ethics expresses its fundamental values, establishes rules of conduct, and provides guidance for policy formulation and decision-making.</p> <p>Particular to corruption: Under the COE, all persons acting on behalf of CIC will abide by all laws relating to improper payments. Business gifts that are customary and reasonable in frequency and value are generally permitted. A gift is never permitted if intended in exchange for favorable treatment or if prohibited by the policies of the recipient or his/her employer. CIC will never offer or pay any bribe.</p> <p>Violations of the COE within the organization are seriously dealt with through proper HR grievance mechanisms, and if applicable, judicial or extra-judicial dispute resolution remedies.</p> <p>CIC expects all its suppliers to adopt CIC’s Code of Ethics or to abide by their own Code of Ethics if it meets the minimum standards of CIC’s Code of Ethics, and any serious violation by a supplier may result in the termination of engagement and blacklisting from future engagements.</p> <p>Enterprise Risk Management Framework. Corruption is identified by the Company is an enterprise risk that is continuously being managed through its Enterprise Risk Management</p>
<p>What are the Opportunity/ies Identified?</p>		
<p>Achievement of enterprise objectives through partnerships with persons and entities that value anti-corruption commitments.</p>		

		<p>Framework¹¹. Risk management function follows a governance structure that is inherent and supported at all organizational levels.¹²</p> <p>Policy on Conflict of Interest.¹³ CIC's directors, officers, employees, and representatives must be loyal to the company and deal with suppliers, customers and others in a manner that avoids a conflict between personal interests and those of CIC, or even the appearance of such conflict. All actual, potential or perceived must be declared by the employee concerned as well as those who may be aware of it.</p> <p>Policy on Whistleblowing – CIC adopted this policy to encourage all stakeholders of the Company to make good faith reports of actual or suspected impropriety, fraud, misconduct, abuse, health and safety concerns, conflicts of interest and any other wrongdoing, free from fear or retaliation. The policy guarantees confidentiality and anonymous reporting through identified channels, and protection to the whistleblower provided that reports are done in good faith.¹⁴</p> <p>Policy on Business Gifts, Policy on Corrupt Payments, Policy on Sales Intermediaries, Policy on Sponsoring Third Party Travel – The CIC Group adopted the foregoing anti-corruption policies to guide employees when dealing with counterparties, providing guidance on proper handling of business and reinforcing ethical behavior in</p>
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¹¹ Id. Note 4

¹² Id. Note 5

¹³ Please refer to CIC Policy on Conflict of Interest: <https://www.cic.ph/download/policy-on-conflict-of-interest/?wpdmdl=4620&refresh=5e2565ea1c44c1579509226>

¹⁴ Please refer to CIC Policy on Whistleblowing: <https://www.cic.ph/download/policy-on-whistleblowing/?wpdmdl=4621&refresh=5e85b2bc97ca01585820348>

		<p>conjunction with the Code of Ethics and other related policies.</p> <ul style="list-style-type: none">• Grievance Mechanism – CIC allows any person to submit questions, ideas, suggestions, criticisms, complaints or allegations of wrongdoing anonymously, use the ProActive platform¹⁵.
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¹⁵ Please refer to ProActive Hotline: <https://proactivehotline.punongbayan-araullo.com/>

ENVIRONMENT

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0
No. of cases resolved through dispute resolution mechanism	0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Environment, Health and Safety, both for consumers and employees is one of the core values of the organization. CIC aims to prevent pollution and occupational health and safety accidents/incidents in all our business activities and processes to satisfy EHS requirements including ISO standards.</p> <p>The Company actively protects the health and safety of our employees, customers and other stakeholders and minimizes the environmental impact during the design, manufacture, distribution, use and disposal of our products.</p>	<ul style="list-style-type: none"> • Investors • Employees • Government • Partners, Suppliers and Service Providers • Consumers • Competitors • Communities 	<p>Policies, Commitments, Responsibilities, Specific Actions –</p> <ul style="list-style-type: none"> • Environment, Health and Safety Policy (EH&S) Policy. The Company implemented the EH&S Policy based on the following objectives: <ul style="list-style-type: none"> ○ To comply with relevant Philippine Government laws and regulations and the policies and standard practices of the Concepcion Industrial Corporation; ○ Demonstrate leadership in the introduction and promotion of products for all market segments that utilize environmentally safe refrigerants; ○ To establish and review Environmental, Health & Safety (EH&S) goals and make them integral parts of our business plan and demonstrate to continually improve our environmental, occupational health & safety performance;
What are the Risk/s Identified?		
<p>Product safety and life</p> <p>Manufacturing resources and waste management</p>		
What are the Opportunity/ies Identified?		

<p>Consistent with the core value, the prioritization of EH&S in our business provides our employees a safe and hazard-free workplace where we continuously promote good health, a healthy lifestyle, and an environment that fosters balanced well-being.</p> <p>Opportunity for current and new products to strengthen recognition of CIC's brands.</p> <p>Achievement of enterprise objectives through partnerships with persons and entities that value EH&S commitments.</p> <p>Contribution to household and business cost savings due to introduction of products.</p>		<ul style="list-style-type: none"> ○ Minimize pollutants in manufacturing processes to the best practicable levels and prevention of pollution; ○ Optimize natural resources in the design, manufacture, use and disposal of products and delivery of services; ○ Commitment of the means and resources necessary to direct, support, monitor and maintain accountability for EH&S performance; ○ Integrate EH&S in new product development and influence contractors and suppliers to improve EH&S performance. <ul style="list-style-type: none"> ● EH&S Management System. The CIC group has in place an EH&S Management System to effectively manage the impact of its activities on EH&S for employees and consumers. EH&S governance are closely linked to its business planning cycle and accountability for which are imposed on all levels of the organization. <p>The Company prepares an EH&S Annual Plan to identify key initiatives, actions or strategies to achieve the goals and regulatory and company requirements.</p> <p>The assessment process identifies and ranks EH&S risks, the appropriate regulatory and company requirements, and corresponding strategy to eliminate, prevent or control the risk; identifies the responsible parties for addressing the risk; and identifies an estimated completion date.</p> <p>When risks have been identified and prioritized, activities to eliminate, prevent or control the risk will be developed, responsible person to complete the activities assigned in</p>
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		<p>the document and distributed to all concerned by the EH&S Manager. Those risks that have the greatest potential for adverse effects will receive the highest ranking and be addressed first. Lower priority risks will be evaluated for applicability to the operation and addressed as resources permit. Control measures, such as policies, programs, procedures, standard work, engineering controls, etc., will be used when technological options are not available or cost prohibitive. The Oversight Steering Committee will monitor progress towards completion dates to ensure timely close out of all identified corrective actions.</p> <p>For activities that have the potential to create a significant risk to human health or the environment, additional requirements such as EH&S Cardinal Rules and standard work covering requirements for monitoring equipment and process have been developed. Emerging issues of major significance will be evaluated and addressed based on their assigned priority.</p> <p>The Company, through its Products Solution Division under CCAC and CDI, integrates EH&S into the planning and design, as well as modification of processes, operations or building layouts in accordance with the corresponding risks identified on the hazard assessment document. Where appropriate, the following considerations will be integrated into the product development and procurement processes:</p> <ul style="list-style-type: none"> ○ Potential impacts on the environment ○ Potential impacts on health and safety ○ Operation and maintenance
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		<ul style="list-style-type: none"> ○ Efficiency in the consumption of energy and natural resources ○ Ability to recycle, reuse and dispose of safely <p>Regular EH&S Training is conducted to enable employees to acquire the appropriate EH&S skills and knowledge to perform their job functions.</p> <p>Communication program consists of activities for conveying EH&S issues, information and awareness. Mandatory communications include:</p> <ul style="list-style-type: none"> ○ Communication of EHS Cardinal Rules ○ Posting or providing information as required by EH&S Cardinal Rules ○ Reporting of EH&S information and incidents as required ○ Communicating relevant EH&S Alerts, Tool Box topics, Bulletins, and similar awareness advisories ○ Results of incident investigations, audits, inspections, new or revised rules or procedures, the annual EH&S plan, EH&S performance, new or revised training, etc. <p>Regular inspections are performed to evaluate EH&S relevant physical conditions, acts or omissions of employees and others in relation to EH&S aspect, impact, hazards, risks, regulatory and internal requirements in accordance with document or procedure.</p> <p>Deficiencies identified that cannot be immediately corrected will be assigned a corrective action and completion date and incorporated into the risk assessment.</p> <p>An audit program is in place to evaluate the effectiveness of the</p>
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		<p>operation's implementation of internal controls. Matters audited include:</p> <ul style="list-style-type: none"> ○ Completion of the Job hazard Analysis (HIRAC) by technicians / supervisor and corrective actions. ○ Adherence to established rules and procedures. ○ Effectiveness of the training and communication program at providing EH&S awareness and knowledge through tests and surveys among employees. ○ Review of at least one incident investigation report (if any) to determine the accurate identification of the direct and root cause and the completion of the corrective actions. ○ Adequacy of equipment. ○ Follow-up on corrective actions.
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SOCIAL

a. Employment

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ¹⁶	1,344	
a. Number of female employees	542	#
b. Number of male employees	802	#
Attrition rate ¹⁷	17.3%	rate
Ratio of lowest paid employee against minimum wage	N/A	ratio

Employee benefits¹⁸

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	Maternity – 5.5% Solo Parent - 0.54%	Paternity – 3.2%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	Y	0%	0.02%
Further education support	Y	0.36%	0%
Company stock options	N	N/A	N/A
Telecommuting	Y	*	*
Flexible-working Hours ¹⁹	Y	92%	76%
(Others)			

¹⁶ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

¹⁷ Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

¹⁸ *CIC is in the process of gathering data and will only be able to disclose in the next reporting period.

¹⁹ Reported rate pertains to employees with compressed work week schedule.

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
<p>With Employee Engagement as one of the core values of the Company, the Company adopts a Total Rewards Philosophy that emphasizes company-wide excellence and individual development, enabling employees to grow as individuals while CIC grows as a company.</p> <p>The impact, therefore is dual, as it supports the needs of the employees as well as the Company’s businesses.</p> <p>Compensation programs consider the following guiding principles:</p> <ul style="list-style-type: none"> • Build Long-Term Shareholder Value: Our programs will link employee interests with shareholder interests and the creation of shareholder value. Employees will do better when the company does better. • Drive a Pay-for-Performance Culture: Employees who demonstrate superior performance and behaviors will receive the highest rewards. • Be Competitive with Our Peers: Our programs will be in line with those offered by our peer companies. • Provide Cost-Effective Solutions: We will invest our resources in programs that provide the most value to the greatest number of employees. 	<p>Policies, Commitments, Responsibilities –</p> <ul style="list-style-type: none"> • Compensation Policy – The Company implemented a Compensation Policy to establish a balanced mix of internal equity and external competitiveness in the compensation structure across the Company; and, to attract, retain, and motivate key talents by providing competitive compensation with an appropriate mix of fixed and variable compensation. <p>Generally, the HR Operations unit is responsible for the planning and implementation of the CIC Compensation Strategy.</p> <ul style="list-style-type: none"> • Benefits Policy - CIC recognizes the importance of a competitive benefits portfolio as this helps drive the good employee welfare and wellness, employee productivity, and higher levels of employee engagement. This policy serves as the source of information regarding company benefits for covered employees and guidelines in the proper implementation thereof. The Benefits Policy was implemented to make CIC an employer of choice through a competitive benefits package; and to maintain high levels of employee productivity and employee engagement while ensuring employee welfare and wellness. <p>Generally, it is the HR Operations is responsible for the regular review and update of this policy to ensure its market competitiveness, relevance to prevailing economic conditions, and compliance to statutory requirements.</p>
What are the Risk/s Identified?	
<ul style="list-style-type: none"> • Employee turnover • Costs not translating to performance due to inefficiencies in program design or implementation • New rules and regulations on workplace management and flexible work arrangements. 	
What are the Opportunity/ies Identified?	
<ul style="list-style-type: none"> • Unlocking additional value due to alignment of employee, management and investor interests. 	

<ul style="list-style-type: none"> In 2020, the Company decided to adopt flexible work arrangements in line with COVID-19 prevention measures and business continuity management. 	
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b. Employee Training and Development ²⁰

Disclosure	Quantity	Units
Total training hours provided to employees	184	hours
a. Female employees	21	hours
b. Male employees	163	hours
Average training hours provided to employees	14.15	hours/employee
a. Female employees	4.2	hours/employee
b. Male employees	20.38	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>Employee Management is one of the core values of CIC. CIC believes that its capability to do things is a shared responsibility between the Company and employees, and so we work together to develop ourselves and our organization to the fullest of our collective potential.</p> <p>Thus, CIC holds employee development in the highest regard and takes personal interest in helping employees reach their career aspirations within the Company, through the provision of tools, resources, and opportunities for further learning and development. Our culture is one that ensures that our employees are fully engaged and are capable and empowered to make the right decisions.</p>	<p>Policy, Commitments, Responsibilities -</p> <ul style="list-style-type: none"> Individual Development Plan (IDP) Policy – The Company has an Individual Development Plan Policy in place to help employees reach short and long-term career goals and improve job performance that support the delivery of business results; to create action plans that drive employee development towards a defined career trajectory; to increase levels of employee adaptability, organizational commitment, satisfaction, and retention; and, to align employee's individual development with the Company's growth objectives. <p>Generally, the Company's Human Resource Organizational Development – Centre of Excellence (OD-COE) has oversight of this policy and is responsible for the continuous development of planning tools, provision of training to People Managers, and monitoring/gathering of data to measure the system's effectivity in achieving its</p>
<p>What are the Risk/s Identified?</p> <ul style="list-style-type: none"> Employee turnover Costs not translating to performance due to inefficiencies in program design or implementation 	
<p>What are the Opportunity/ies Identified?</p>	

²⁰ Disclosures are limited to CCAC, CMI, and COPI; *CIC is in the process of gathering data and will only be able to disclose in the next reporting period.

<ul style="list-style-type: none"> • Unlocking additional value due to alignment of employee, management and investor interests. • The Company had opportunity engage employees through new remote learning methods. 	<p>objectives. Direct Managers (DM) act as mentor to the employee and are responsible for initiating and guiding the employees' development and its documentation in an IDP form. Human Resource Business Partners (HRBPs) are responsible for assisting DMs and ensuring each employee in their respective unit has an IDP in place. Employees are responsible for cooperating with their DMs and ensuring that IDP targets are achieved by the stated completion period, or updated in case of any changes in plan.</p> <p>In creating the IDP for each employee, the Company follows the following guiding Principles:</p> <ul style="list-style-type: none"> ○ Development objectives must be aligned with organizational objectives. ○ Both gaps and strengths in the employee's capability must be developed. ○ Development objectives must be limited to a critical few. ○ Blended development activities tend to provide the most significant opportunity for learning. ○ Experience-based activities tend to be the most powerful method of employee development. ○ Clear communication and continuous feedback play a key role in promoting learning.
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c. Labor-Management Relations²¹

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	CCAC - 14% CDI – 63%	%
Number of consultations conducted with employees concerning employee-related policies	CCAC Union sessions – 12 CDI Union Sessions – 6 Townhall sessions- 7	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
CIC recognizes that creating a positive workplace experience can only happen through effective communication and transparency between employer and worker and recognizes the need to provide an avenue for both parties to discuss and matters relating the collective bargaining and other related topics. The Company actively cooperates with Concepcion Carrier Air Conditioning Company Employees’ Union and Concepcion Durables, Inc. Employees Union, as the certified and exclusive bargaining representative for CCAC and CDI factory workers, respectively.	<p>Policy, Commitments, Responsibilities, Grievance Mechanism -</p> <ul style="list-style-type: none"> • Labor-Management Cooperation (LMC) Policy – The Company implemented the LMC Policy which covers the Labor-Management Cooperation activities between CIC and the unions, to complement and operationalize complements the Labor Code of the Philippines. <p>The policy has the following objectives:</p> <ul style="list-style-type: none"> ○ To promote workers’ participation in the policy- and decision-making process of the Company. ○ To foster a climate of cooperation and harmony between labor and management. ○ To improve the quality of working life; and ○ To achieve and sustain economic growth for CIC and its employees. <p>The Chief Human Resource Officer (CHRO) has the general responsibility for the lawful implementation of this policy. The governance of the LMC Policy is done through the Labor-Management Council (Council) and also provides the discussion platform for issues and concerns that are not covered by the Collective Bargaining Agreement (CBA), including but not limited to cost reduction, job classification, employee engagement and productivity, housekeeping,</p>
What are the Risk/s Identified?	
Labor concerns which remain unaddressed or unresolved due to inefficiencies in the program design or implementation.	
What are the Opportunity/ies Identified?	
Unlocking additional value due to alignment of employee, management and investor interests.	

²¹ Disclosures are limited to CCAC and CDI. There are no unions present in other entities.

	<p>and updates on new laws and rulings affecting the workplace.</p> <p>The policy ensures that both labor and management is properly represented in the Council. A third-party facilitator acceptable to all may be engaged to assist, as needed. The policy likewise ensures observance of efficiency and transparency in the conduct of meetings.</p>
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d. Relationship with Community

Significant Impact on Local Communities

For 2020, with Filipino families experiencing economic hardships and heightened distress brought about by the pandemic and natural disasters, the CIC Group initiated several charitable programs in recognition of its responsibility towards the community.

- Project Ugnayan - CIC participated in the project of Philippine Disaster Relief Foundation which aimed to distribute 1000 Peso Gift Certificates to one million households. Together with a group of 32 private companies, the project was able to provide for five million families from the economically vulnerable communities of greater Metro Manila (including Rizal, Bulacan, Cavite and Laguna). Aside from the gift certificates, the project was able to distribute food to a total of 1.5 million families.
- Product donations for COVID-19 Facilities and Emergency Quarantine Tents – The CIC Group donated various air conditioning, refrigeration equipment and washing machines to medical facilities such as Medical South City Sta. Rosa. Laguna, UP Manila NIH, Camp Aguinaldo, Batangas Medical Center, BCDA and National Kidney Institute.
- We Care Project – Cortex Technologies Corp. developed an online platform for Donee and Donor matching to quickly distribute medical supplies and PPE to those medical institutions in need. CIC partnered with ABS-CBN Foundation’s Pantawid ng Pag-ibig program to help in determining donees and funding donation requests.
- Be the Light Project - The CIC group extended help to 600 families affected by Typhoon Ulysses with emergency aid items such as sleeping mats and nets. As second wave of the initiative, in partnership with Assumption Alumni Association (AAA), 6,500 Noche Buena food packs were distributed to less fortunate communities in Samar, Baguio, Pampanga, Mandaluyong and Muntinlupa.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

The Company contributes to the ninth and eleventh UN Sustainable Development Goals:

- **“Industry, Innovation and Infrastructure”**, in particular, fostering innovation.
- **“Make cities and human settlements inclusive, safe, resilient and sustainable”**, in particular, sustainable cities and human settlements

Fostering Innovation

CIC recognizes the need for innovation and incorporates this in its growth strategy. Recently, many initiatives were geared towards collaboration to foster innovation in response to the changing needs of the customers, including the introduction of the CIC Learning Center and collaborative workspaces, and incubation of several products/business models geared towards enabling technology for the “New Reality”. This involves responsible use of data and digitalization of real-world customer experience.

Cortex Technologies Corporation is the CIC Group’s technology solutions arm. According to its primary purposes, is engaged, among others, in research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other related products, and in providing business intelligence to customers based on data gathered from such products. In particular, CTC had launched three brands, Buddee, Connexion for Home and Connexion for Biz which significantly increased the Group’s research and development activities and employee population.

The CIC group also launched several e-commerce solutions internal to the enterprise through Concepcion Business Services, Inc. and Teko Solutions Asia, Inc.

Sustainable Cities and Human Settlements

CIC brands offer an array of innovative and energy-efficient solutions that lower costs and are environmentally responsible. The Company considers this as its contribution to the reduction in the adverse per capita environmental impact of cities, improvement of air quality and gradual overall decrease in energy consumption.

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Connexion for Home Connexion for Biz Buddee	Private research and development spending, Employment of research and development workers	If not properly managed by CTC or customer, security risks for confidential information and personal data, if any.	<ul style="list-style-type: none"> • Proper documentation that discloses the actual use and handling of information, whether confidential information or personal data, and

<p>Complete Order Management System (COMS)</p> <p>Concepstore</p>			<p>ensuring consents are secured for the same.</p> <ul style="list-style-type: none"> Partnerships with reputable cloud computing services companies only.
<p>Air Quality Products</p> <p>Various Air-Conditioning Equipment for Home and Commercial Use</p> <p>Various Refrigeration Equipment for Home and Commercial Use</p> <p>Various appliances for home use.</p>	<p>These products have high energy efficiency factors (EEF). Appliances requiring refrigerants use environment-friendly refrigerants, producing significantly less CO2 as compared to those produced other refrigerants.</p> <p>Air quality products protect against the spread of viruses including COVID-19, contributing to health safety and air quality in home and work spaces.</p>	<p>While impact has been significantly reduced, it is unavoidable to consume some amount of power (for electrical appliances) and to produce some amount of CO2 (for appliances using refrigerants).</p>	<p>Proper documentation for correct use and maintenance to promote safety, and prolong efficiency and equipment life.</p>

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

ANNEX C-1

COVER SHEET

SEC Registration Number

A	1	9	9	7	-	1	3	4	5	6
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COMPANY NAME

C	O	N	C	E	P	C	I	O	N																				
C	O	R	P	O	R	A	T	I	O	N																			

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

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																				

Form Type

1	7	-	Q
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Applicable

Department requiring the report

C	G	F	D
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Secondary License Type, if

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COMPANY

Company's Email Address

sec_cic@cic.ph

Company's Telephone Number/s

87721819

Mobile Number

+639178424881

No. of Stockholders

26

Annual Meeting (Month/Day)

Third Wed. of July

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Telephone Number/s

Mobile Number

Name of Contact Person

Email Address

Omar C. Taccad

omar.taccad@cic.ph

87721819

+639985843327

CONTACT PERSON'S ADDRESS

Km. 20 East Service Road South Super Highway, Alabang, Muntinlupa City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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, 2021
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** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization

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, 2021)

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 P2.5 billion. The price used for this computation is the closing price as of March 31, 2021 is P20.80.

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 periods ended March 31, 2021 and the comparative period in 2020 is attached to this 17-Q report, comparing the following:

- 1.1 Unaudited Consolidated Statements of Financial Position as at March 31, 2021 and December 31, 2020 (Annex A)
- 1.2 Unaudited Consolidated Statements of Total Comprehensive Income for the periods ended March 31, 2021 and 2020 (Annex B)
- 1.3 Unaudited Consolidated Statements of Changes in Equity for the periods ended March 31, 2021 and 2020 (Annex C)
- 1.4 Unaudited Consolidated Statements of Cash Flows for the periods ended March 31, 2021 and 2020 (Annex D)
- 1.5 Notes to Unaudited Consolidated Financial Statements as at March 31, 2021 and December 31, 2020 and for the periods ended March 31, 2021 and 2020 (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, 2021 (Annex F)]

PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the first quarter of 2021:

Date of Report	Items Reported
January 04, 2021	Passing of Ms. Grace Z. Velasco, Vice-President for Investor Relations
February 10, 2021	Press Release on Financial and Business Updates highlighting Q4 and full year unaudited 2020 results.
February 10, 2021	Declaration of Cash Dividends

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.



MARIA VICTORIA A. BETITA
Chief Finance Officer

May 19, 2021

ANNEX A**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Financial Position
As at March 31, 2021 and December 31, 2020
(All amounts in thousand Philippine Peso)

	Notes	2021	2020
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	2,989,659	2,986,668
Trade and other receivables, net	3	3,680,405	3,641,581
Contract assets	3	541,951	670,285
Inventories, net	4	2,665,809	2,462,017
Prepayments and other current assets		64,628	76,258
Total current assets		9,942,452	9,836,809
Non-current assets			
Property and equipment, net	5	614,819	635,933
Investment property	6	40,255	40,255
Investment in associates	7	154,414	151,715
Intangible assets, net	8	182,881	190,244
Goodwill	8	802,362	802,362
Right-of-use assets, net	19	435,856	487,854
Deferred income tax assets, net	9	528,022	476,526
Retirement benefit asset	20	7,945	-
Other non-current assets		81,731	58,132
Total non-current assets		2,848,285	2,843,021
Total assets		12,790,737	12,679,830
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	10	4,607,980	4,003,915
Short-term borrowings	13	190,000	190,000
Lease liabilities	19	162,919	63,308
Provision for warranty	11	61,399	68,152
Other provisions	12	49,202	49,723
Income tax payable		151,860	83,079
Total current liabilities		5,223,360	4,458,177
Non-current liabilities			
Retirement benefit obligation	20	531,925	492,876
Lease liabilities	19	274,059	425,815
Provision for warranty	11	7,890	9,404
Total non-current liabilities		813,874	928,095
Total liabilities		6,037,234	5,386,272
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	(170,068)	(170,068)
Retained earnings	21	3,907,561	4,251,056
Other comprehensive loss		(86,269)	(86,269)
		5,051,731	5,395,226
Non-controlling interest		1,701,772	1,898,332
Total equity		6,753,503	7,293,558
Total liabilities and equity		12,790,737	12,679,830

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

ANNEX B**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Total Comprehensive Income
For the periods ended March 31, 2021 and 2020
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2021	2020
Net sale of goods	15	2,632,584	2,256,966
Sale of services	15	247,536	477,886
Net sales		2,880,120	2,734,852
Cost of sales and services	16	(1,824,120)	(1,748,668)
Gross profit		1,056,000	986,184
Operating expenses	17	(878,819)	(773,248)
Other operating income, net	18	6,452	2,429
Operating income		183,633	215,365
Interest expense	13, 19	(6,157)	(6,086)
Income before share in net income (loss) of associates and income tax		177,476	209,279
Share in net income (loss) of associates	7	2,699	(6,431)
Income before income tax		180,175	202,848
Income tax expense	9	(51,709)	(73,981)
Net income for the period		128,466	128,867
Other comprehensive income	9	-	-
Total comprehensive income for the period		128,466	128,867
Net income attributable to:			
Owners of the Parent Company		58,460	69,617
Non-controlling interest		70,006	59,250
		128,466	128,867
Total comprehensive income attributable to:			
Owners of the Parent Company		58,460	69,617
Non-controlling interest		70,006	59,250
		128,466	128,867
Earnings per share - basic and diluted	22	0.15	0.17

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

ANNEX C
Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the periods ended March 31, 2021 and 2020

	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, 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
Balances as at December 31, 2021	407,264	993,243	(170,068)	4,251,056	(86,269)	1,898,332	7,293,558
Comprehensive income							
Net income for the period	-	-	-	58,460	-	70,006	128,466
Total comprehensive income for the period	-	-	-	58,460	-	70,006	128,466
Transaction with owners							
Cash dividends declared	-	-	-	(401,955)	-	(266,566)	(668,521)
Treasury Shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(401,955)	-	(266,567)	(668,521)
Balances as at March 31, 2021	407,264	993,243	(170,068)	3,907,561	(86,269)	1,701,772	6,753,503

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

ANNEX D**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Cash Flows
For each of the periods ended March 31, 2021 and 2020
(All amounts in thousand Philippine Peso)

	Notes	2021	2020
Cash flows from operating activities			
Income before income tax		180,175	202,848
Adjustments for:			
Provisions for (reversals of):			
Volume rebates, trade discounts and other incentives	3	184,313	70,469
Warranty cost	11	34,721	19,089
Commission	12	1,464	(4,603)
Impairment of receivables	3	183	1,253
Contingencies	12	9,911	3,591
Inventory obsolescence	4	276	271
Amortization of right-of-use assets	19	58,079	58,517
Depreciation and amortization of property and equipment	5	34,178	34,922
Retirement benefit expense	20	51,104	11,845
Interest expense	13, 19	6,157	4,835
Amortization of intangible assets	8	7,652	7,031
Share in net loss (income) of associates	7	(2,699)	6,431
Unrealized foreign exchange (gains) losses	25	4,013	(15,872)
Interest income on bank deposits, short-term placements and loan to related party	18	(1,173)	(2,846)
Operating income before working capital changes		568,354	397,781
Changes in:			
Trade and other receivables		(78,764)	661,652
Inventories		(197,793)	(467,763)
Prepayments and other current assets		52,051	(67,597)
Other non-current assets		(29,484)	14,225
Trade payables and other liabilities		(151,685)	(266,886)
Cash generated from operations		162,679	271,412
Income tax paid			
Payments of provision for warranty cost	11	(42,988)	(19,270)
Payments of other provisions	12	(11,896)	(14,380)
Retirement contributions/ benefits directly paid by the Group	20	(19,890)	(8,545)
Interest received on bank deposits		348	3,016
Net cash provided by (used in) operating activities		88,253	232,233
Cash flows from investing activities			
Interest received from short-term placements and loan to a related party		816	2,350
Additions to property and equipment	5	(22,801)	(24,052)
Additions to intangibles	8	(290)	(3,832)
Net cash used in investing activities		(22,275)	(25,534)
Cash flows from financing activities			
Principal repayment of lease liabilities	19	(56,505)	(63,009)
Interest paid on lease liabilities	19	(3,461)	(6,743)
Interest paid on short-term borrowings	13	(2,564)	(106)
Net cash used in financing activities		(62,530)	(69,858)
Net increase (decrease) in cash and cash equivalents		3,448	136,840
Cash and cash equivalents as at January 1		2,986,668	1,736,643
Effects of foreign exchange rate changes on cash and cash equivalents		(457)	(60)
Cash and cash equivalents as at December 31	2	2,989,659	1,873,423

The notes on pages 1 to 46 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

As at March 31, 2021 and December 31, 2020

and for each of the periods ended March 31, 2021 and 2020

(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 28.2.1) 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.

The Parent Company's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City.

1.2 Significant business developments

On April 2, 2019, the SEC approved CDI's application for increase in authorized share capital to 6.78 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 February 12, 2020, the BOD approved the increase in authorized capital stock from P678 million to P1.2 billion consisting of 12 million shares at P100 par value per share. On November 27, 2020, the CDI filed the application for the increase in authorized capital stock with the SEC.

On December 15, 2020, SEC approved the Company's application for the increase in authorized share capital to P1.2 billion or 12 million shares at P100 par value per share and out of the increase in capital, 1,364,040 shares was subscribed to and paid by the Parent Company at a total subscription price of P136.4 million.

On January 31, 2019, the SEC approved CTC's application for increase in authorized share capital to 200 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 December 19, 2019, BOD approved the proposed increase in authorized share capital of CTC from 200 million shares to 450 million shares at P1 par value per share. CTC received deposit for future stock subscription from the Parent Company amounting to P15.6 million and P20 million on July 17, 2020 and February 09, 2021, respectively. As of March 31, 2021, CTC is still in the process of completing the requirements for its application of the proposed increase in authorized share capital with the SEC.

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. 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 P2.1 million. On December 19, 2019, Teko's BOD approved the issuance of 127,500 shares of preferred stock to the CTC at an issue price equal to the par value, payable by applying or offsetting an equivalent amount of the outstanding advances due and payable by Teko to CTC. CTC and Teko's shareholders are in the process of finalizing the terms and conditions regarding the issuance of shares and the offsetting of advances. Hence, the balance of CTC's deposit for future stock subscription was recorded as a liability as at December 31, 2019. The shares were issued on February 3, 2020.

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 July 2, 2020, Tenex issued the 15,500 stock subscription at par value to a shareholder and Alstra amounting to P6.9 million and P8.6 million, respectively.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at March 31, 2021 and December 31, 2020 consist of:

	2021	2020
Cash on hand	66	66
Cash in banks	721,990	1,185,901
Short-term placements	2,267,603	1,800,701
	<u>2,989,659</u>	<u>2,986,668</u>

Cash in banks and short-term placements amounting to P2,815,609 and P173,985 (2020 - P2,762,983 and P223,619) are made with universal and commercial banks, respectively.

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 0.075% to 0.30% (2020 - 0.125% to 3%) based on the prevailing bank deposit rates (Note 18).

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 March 31, 2021 and December 31, 2020 consist of:

	Note	2021	2020
Trade receivables			
Third parties		4,065,032	3,913,244
Related parties	14	6,046	3,740
Provision for volume rebates, trade discounts and other incentives		(503,063)	(386,905)
Provision for impairment of receivables		(165,784)	(165,601)
Net trade receivables		3,402,231	3,364,478
Non-trade receivables, net			
Related parties	14	26,310	30,408
Advances to employees		30,066	36,105
Claims from suppliers		9,159	11,772
Rental deposits		10,722	10,593
Others		201,916	188,225
		3,680,405	3,641,581

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, 2020 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 March 31, 2021 and December 31, 2020 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%	
2021					
Trade receivables					
Third parties	2,697,295	1,063,401	140,309	164,028	4,065,032
Related parties	6,047	-	-	-	6,047
	2,703,342	1,063,401	140,309	164,028	4,071,079
Contract assets	541,951	-	-	-	541,951
Total	3,245,293	1,063,401	140,309	164,028	4,613,030
Loss allowance	-	-	1,756	164,028	165,784
2020					
Trade receivables					
Third parties	2,471,821	1,126,438	153,347	161,638	3,913,244
Related parties	3,740	-	-	-	3,740
	2,475,561	1,126,438	153,347	161,638	3,916,984
Contract assets	670,285	-	-	-	670,285
Total	3,145,846	1,126,438	153,347	161,638	4,587,269
Loss allowance	3,290	431	242	16,1638	165,601

Advances to employees are paid 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.

Note 4 - Inventories, net

Inventories, net as at March 31, 2021 and December 31, 2020 consist of:

	Note	2021	2020
At cost			
Raw materials		1,439,777	1,000,237
Finished goods	16	1,177,766	1,295,612
Work in process	16	2,087	4
Inventories-in-transit		36,760	168,394
Spare-parts and supplies used in business		85,633	88,674
		2,742,023	2,552,921
Total Inventories			
Provision for inventory obsolescence		(76,214)	(90,904)
		2,665,809	2,462,017

For the period ended March 31, 2021, the cost of inventory recognized as expense and included in cost of sales and services amounted to P1,704,608 (2020 – P1,585,905) (Note 16).

Note 5 - Property and equipment, net

As at March 31, 2021 and December 31, 2020, net additions and adjustments to property and equipment amounted to P12,918 consisting of machineries and equipment, office equipment, and leasehold improvements (2020 – P91,051). For the period ended March 31, 2021 and December 31, 2020, net depreciation and amortization amounted to P34,024 (2020 – P36,749).

Note 6 - Investment property

As at March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020 amounted to P37,520, based on the last known selling price per square meter.

As at March 31, 2021 and December 31, 2020, there were no payments made by the Parent Company, 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 were no further costs incurred that were considered as additions to investment property in 2020.

There was no income earned related to the property for the period ended March 31, 2021 and for the year ended December 31, 2020. Further, P29 direct operating expense for the investment property was incurred for the period March 31, 2021 and P69 for the year ended December 31, 2020.

Note 7 - Investments in shares of stock

7.1 Associates

Details of movement in investment in associates for the period ended March 31, 2021 and for the year ended December 31, 2020 follow:

	2021	2020
At cost, beginning	274,700	266,125
Additional investments	-	8,575
At cost, ending	274,700	274,700
Cumulative share in total comprehensive loss, beginning	(122,985)	(147,012)
Share in net income for the year	2,699	22,999
Share in other comprehensive income for the year	-	1,028
Cumulative share in total comprehensive loss, ending	(120,286)	(122,985)
	154,414	151,715

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 March 31, 2021, 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 Teko's web-based platforms, consisting of its website and mobile application (Note 7.2.3).

Impairment test for goodwill

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at December 31, 2020 and 2019. The Group did not recognize impairment losses for the period March 31, 2021 and for the year ended December 31, 2020 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU) (Note 27.2.1).

8.2 Intangible assets, net

Details and movements of intangible assets account as at March 31, 2021 and December 31, 2020 are shown below:

	Notes	Customer relationship	Customer backlogs	Computer software	Total
Cost					
At January 1, 2021		187,113	13,883	112,513	313,509
Additions		-	-	290	290
At March 31, 2021		187,113	13,883	112,803	313,799
Accumulated amortization					
At January 1, 2021		53,424	13,883	55,958	123,265
Amortization	16, 17	1,871	-	5,781	7,652
At March 31, 2021		55,295	13,883	61,739	130,917
Net book values at March 31, 2021		131,818	13,883	51,063	182,881
Cost					
At January 1, 2020		187,113	13,883	94,467	295,463
Additions		-	-	18,046	18,046
At December 31, 2020		187,113	13,883	112,513	313,509
Accumulated amortization					
At January 1, 2020		45,940	13,883	34,583	94,406
Amortization	16, 17	7,484	-	21,375	28,859
At December 31, 2020		53,424	13,883	55,958	123,265
Net book values at December 31, 2020		133,689	13,883	56,555	190,244

Note 9 - Deferred income tax/Provision for income tax

As at March 31, 2021 and December 31, 2020, net deferred income tax assets to be recovered within 12 months amounting to P421,617 (2020 – P282,248) 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 P106,405 (2020 – P194,278) 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 income tax expense for the period ended March 31, 2021 and for the year ended December 31, 2020 follow:

	2021	2020
Current	92,713	452,508
Deferred	(41,004)	(103,789)
	51,709	348,719

Note 10 - Trade payables and other liabilities

Trade payables and other liabilities as at March 31, 2021 and December 31, 2020 consist of:

	Note	2021	2020
Trade payables			
Third parties		1,066,133	1,244,388
Related parties	14	325,568	516,135
		1,391,701	1,760,523
Accrued expenses			
Project costs		558,444	569,546
Outside services		225,341	225,122
Benefits of directors, officers and employees		312,317	212,222
Professional fees		52,297	52,840
Commission		2,892	42,242
Installation and cleaning costs		35,619	39,274
Rental and utilities		42,592	38,806
Freight		31,344	32,079
Importation costs		64,847	28,378
Advertising and promotion		47,700	28,218
Repairs and maintenance		6,031	2,076
Others		260,110	106,157
		1,639,534	1,376,960
Other liabilities			
Advances on sales contract		227,718	233,190
Billings in excess of costs incurred and estimated earnings on uncompleted contracts		309,446	242,676
Withholding taxes and other mandatory government remittances		127,438	136,566
Output value-added tax (VAT), net of input VAT		134,680	75,832
Related parties	14	601,762	40,227
Others		175,701	137,941
		1,576,745	866,432
		4,607,980	4,003,915

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

As at March 31, 2021 and December 31, 2020, billings in excess of costs incurred and estimated earnings on uncompleted contracts represent the excess of contract billings amounting to P1,363,753 (2020 - P894,102) over the cumulative costs incurred and margin amounting to P1,054,307 and P309,446 respectively (2020 - P651,426 and P242,676, respectively).

Note 11 - Provision for warranty

For the period ended March 31, 2021 and 2020, provisions for warranty costs were recognized as part of operating expenses amounting to P30,973 (2020 – P19,597) (Note 17).

Note 12 - Other provisions

Details of other provisions as at March 31, 2021 and December 31, 2020 consist of:

	2021	2020
Contingencies	37,132	30,763
Commission	12,070	18,960
	49,202	49,723

Movements in provision for contingencies as at March 31, 2021 and December 31, 2020 follow:

	Note	2021	2020
Beginning		30,763	12,307
Provisions	17	9,911	28,113
Payments		(3,542)	(9,657)
Ending		37,132	30,763

Movements in provision for commission as at March 31, 2021 and December 31, 2020 follow:

	2021	2020
Beginning	18,960	30,051
Provisions	1,464	17,224
Payments	(8,354)	(28,315)
Ending	12,070	18,960

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 period ended March 31, 2021 and for the year ended December 31, 2020 are as follows:

	2021	2020
Beginning	190,000	45,000
Availments	-	145,000
Settlements	-	-
Ending	190,000	190,000

As at March 31, 2021 and December 31, 2020, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months at 5.25% interest rate (2020 – from 5.25% to 6.15%).

Interest expenses on borrowings recognized during the periods ended March 31, 2021 and for the year ended December 31, 2020 amounted to P2,564 (2020 - P6,527).

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 period ended March 31, 2021 and as at and for the year ended December 31, 2020:

	2021		2020		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Shareholders					
Rent and utilities	13,758	-	60,666	(2)	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	10,814	-	42,129	-	
Advance Rental	-	-	2,730	-	Refer to Note 19.
Security Deposit	-	-	2,671	-	Refer to Note 19.
Dividend declaration	401,955	(401,955)	282,253	-	Refer to Note 21.2.
Reimbursements from Shareholders	102	390	303	303	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/ payable in cash, non-interest bearing and unsecured.
Reimbursements to Shareholders	-	(1,157)	-	(1,157)	
Associate					

	2021		2020		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Administrative services	-	8,236	21,454	2,728	Outstanding receivables are due within 30 to 60 days from transaction date. These are collectible in cash, non-interest bearing and unsecured.
Transfer of employees	-	(110)	110	(110)	Benefits due to the employee transferred up to date of transfer will be paid by the former employer to the receiving company. Outstanding receivables/payables are due within one year from transaction date. The balance is collectible/payable in cash, non-interest bearing and unsecured.
Transfer of employees	-	293	2,537	2,687	
Purchase of goods, net of Returns	17,238	(5,359)	17,236	(1,877)	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	55	55	2,773	1,053	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	9	(9)	270	-	Payable within the next 12 months after invoice date. Unsecured and non-interest bearing advances.
Outside services	616	258	1,030	1,030	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/ payable in cash, non-interest bearing and unsecured.
Reimbursements from Associates	35,305	20,947	164,981	22,617	
Reimbursements to Associates	444	(185)	1,225	(4,736)	
Entities under common control					
Rent and utilities	8,530	(833)	34,119	-	Receivables/payables are collectible/payable in cash within 30 to 60 days from billing date. These are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Entities with common shareholders					
Sale of goods	-	-	-	-	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	1,469	2,154	10,558	3,731	Receivables/payables are collectible in cash within 30 to 60 days from billing date. These 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	423	25	-	-	
Dividend declaration	266,564	(188,164)	341,680	-	Refer to Note 21.2.
Purchases, net purchase Returns	246,175	(320,209)	1,973,683	(514,258)	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	-	(3,912)	-	(4,331)	Payable in cash within 60 days unsecured and bears no interest. Refer to Notes 16 and 17.
Royalty/Technical fees	6,635	(5,972)	42,697	(29,891)	
Key management personnel					
Short-term					
Directors' fees	1,386	(12,549)	9,412	(9,412)	Payable to employees in cash within 30 days from date of each transaction. Non-interest bearing and not covered by any guarantee. Refer to Note 20.
Salaries and wages	79,814	(24,704)	435,561	(60,772)	
Long-term					
Retirement benefits	4,024	(143,917)	19,034	(122,007)	
Retirement plan					
Contributions to the retirement fund	-	-	854	-	Refer to Note 20.
Claims from the retirement Fund	-	-	25,034	-	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.

Note 15 - Revenue from contracts with customers

Details of net sales and services for the periods ended March 31 are as follows:

	Note	2021	2020
Gross sales			
Sale of goods (Point in time)		3,021,750	2,486,842
Sale of services (Over time)		247,535	477,886
		3,269,285	2,964,728
Deductions			
Trade and volume discounts and other incentives	3	(227,888)	(138,884)
Sales returns		(161,278)	(90,992)
		(389,166)	(229,876)
Net sales and services		2,880,119	2,734,852

(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.

Note 16 - Cost of sales and services

Details of cost of sales and services for the periods ended March 31 are as follows:

	Note	2021	2020
Raw materials used		1,201,772	1,168,797
Labor		51,003	49,941
Overhead		176,550	171,931
Total manufacturing cost		1,429,325	1,390,669
Work-in-process, beginning	4	4	3,620
Work-in-process, ending	4	(2,087)	(33,849)
Cost of goods manufactured		1,427,242	1,360,440
Finished goods inventory, beginning	4	1,295,612	1,210,302
Gross purchases - trading		162,115	347,203
Finished goods available for sale		2,884,969	2,917,945
Finished goods inventory, ending	4	(1,177,766)	(1,332,040)
Total cost of sales		1,707,203	1,585,905
Cost of Installation and maintenance of elevators		114,269	158,787
Others		2,649	3,976
Total cost of services		116,918	162,763
Total cost of sales and services		1,821,525	1,748,668

Details of overhead for the periods ended March 31 are as follows:

	Notes	2021	2020
Indirect labor		77,982	75,855
Depreciation and amortization	5	17,706	18,813
Taxes and licenses		10,047	14,191
Outside services		14,936	17,574
Rent and utilities	14, 19	15,041	13,825
Repairs and maintenance		16,190	13,525
Amortization of right-of-use assets	19	9,918	9,493
Inbound Storage		8,899	1,586
Travel and transportation		1,539	3,481
Insurance		1,423	1,819
Amortization of intangible assets	8	546	496
Others		2,323	1,273
		176,550	171,931

Details of cost of services the periods ended March 31 are as follows:

	Notes	2021	2020
Materials and labor	4	82,598	121,351
Personnel costs		22,144	23,538
Royalty/technical fees	14, 19	1,598	7,357
Amortization of right-of-use assets	19	1,938	1,878
Rent and utilities	14, 19	2,117	2,585
Taxes and licenses		967	1,203
Outside services		3,507	1,929
Depreciation and amortization	5	1,292	1,050
Transportation and travel		676	991
Supplies		118	119
Insurance		112	139
Repairs and maintenance		22	75
Others		1,427	548
		116,918	162,763

Note 17 - Operating expenses

Details of operating expenses for the periods ended March 31 are as follows:

	Notes	2021	2020
Personnel costs	12, 20	361,919	304,039
Outside services and professional fees		180,723	170,543
Outbound freight		85,749	77,572
Amortization of right-of-use assets	19	42,955	44,274
Warranty cost	11	30,973	19,597
Rent and utilities	14, 19	32,173	25,663
Provision for impairment of receivables	3	5,140	4,583
Advertising and promotion		57,193	17,764
Depreciation and amortization	5	15,213	15,009
Provision for (Reversal of) inventory obsolescence	4	(12,973)	271
Taxes and licenses		8,031	13,510
Amortization of intangible assets	8	8,058	4,367
Royalty/technical fees	14, 19	8,484	6,607
Transportation and travel		4,478	12,130
Repairs and maintenance		2,435	2,663
Others		44,494	54,656
		875,045	773,248

Note 18 - Other operating income, net

Details of net other operating income for the periods ended March 31 are as follows:

	Notes	2021	2020
Foreign exchange gains (losses), net	25	(2,181)	(584)
Interest income		1,040	5,349
Commission income	14	1,469	(427)
Miscellaneous		5,879	(1,909)
		6,206	2,429

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

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. 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.

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.
- 19.1.9 CTC has a three-year lease contract from June 16, 2019 to June 15, 2022 with MBS Development Corporation for its office space and parking space in Muntinlupa City. The contract is renewable upon mutual agreement of the parties.

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.

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

Amounts recognized in the statement of financial position

ROU assets are composed of office, warehouse, vehicle and other leased assets. As at March 31, 2021 and December 31, 2020, total cost and accumulated amortization of ROU assets amounted to P1,042,390 and P606,534 (2020 – P1,036,617 and P548,763), respectively. For the period ended March 31, 2021, total amortization expense charged to cost of sales and services (Note 16) and operating expenses (Note 17) amounted to P11,856 and P42,955 (2020 – P11,371 and P44,274), respectively.

Lease liabilities as at March 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Current	162,919	63,308
Non-current	274,059	425,815
	<u>436,978</u>	<u>489,123</u>

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 for the periods ended March 31, 2021 amounted to P1,849 (2020- P2,378) (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 for the periods ended March 31, 2021 amounted to P6,635 (2020- P4,229) (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 for the periods ended March 31, 2021 amounted to P1,598 (2020 -P7,357) (Note 16).

19.2.4 Assignment Agreement with OECPI

COPI has an outstanding payable to OECPI as at March 31, 2021 and 2020 amounting to P3,912 (2020- 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 March 31, 2021 and December 31, 2020, estimated retirement benefits and obligations for Alstra is deemed immaterial, hence, not provided for.

In February 2021, the CDI's BOD approved to established a non-contributory retirement plan covering all its regular employees. The plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of at least ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 25 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

20.4 COPI

The Company has a funded, non-contributory defined benefit plan covering the retirement and disability benefits to its qualified employees and is being administered by a trustee bank. The normal retirement age is 60 years 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.

20.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to 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, 2020.

Retirement benefit expense is included as part of employee costs under operating expenses (Note 19).

Note 21 - Equity

21.1 Share capital

As at March 31, 2021 and December 31, 2020, the Parent Company’s authorized share capital amounting to P700,000 for both periods is composed of 700 million shares with par value of P1 per.

The details and movement of share capital as at and for the period ended March 31, 2021 and as at and for the year ended December 31, 2020 follow:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
December 31, 2019	403,218,091	407,264	993,243	(146,528)
Acquisition of treasury shares	(1,263,000)	-	-	(23,540)
December 31, 2020	401,955,091	407,264	993,243	(170,068)
Acquisition of treasury shares	-	-	-	-
March 31, 2021	401,955,091	407,264	993,243	(170,068)

21.2 Retained earnings

Cash dividends declared, attributable to owners of Parent Company, for the period ended March 31, 2021 and for the year ended December 31, 2020 are as follows:

Date declared	Dates paid	Per share	2021	2020	2019
Feb. 10, 2021	April 12, 2021	1.0	401,955	-	-
May 13, 2020	June 17, 2020	0.7	-	282,253	-
April 3, 2019	May 10, 2019	1.20	-	-	486,606
			401,955	282,253	486,606

For the period ended March 31, 2021 and for the year ended December 31, 2020, NCI from profit distribution of CCAC and COPI amounted to P188,164 and P78,400, respectively (2020 - P341,680 and nil, respectively).

As at March 31, 2021 and December 31, 2020, the Parent Company's unappropriated retained earnings exceeded its paid-in capital by P1,646,721 (2020 - P1,519,668). The Parent Company annually performs an evaluation of the amount to be declared as dividends. Subsequently, on February 10, 2021, the Parent Company's BOD declared cash dividends in the amount of P1.00 per share totaling to P401,955 for shareholders of record as at March 12, 2021, paid on April 12, 2021.

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 thousand Pesos)
<i>2016</i>				
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
				59,824
<i>2018</i>				
October 09, 2018	October 12, 2018	250,000	37.20	9,300
October 11, 2018	October 16, 2018	124,600	37.20	4,635
				13,935
<i>2019</i>				
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

Trade Date	Date Paid	Shares	Per share	Absolute amount (in thousand Pesos)
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
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
				72,769
<i>2020</i>				
July 28, 2020	July 29, 2020	200,300	19.00	3,806
July 28, 2020	July 29, 2020	1,400	18.50	26
July 28, 2020	July 29, 2020	1,000	18.48	19
July 28, 2020	July 29, 2020	300	18.46	6
July 29, 2020	July 30, 2020	200,000	19.00	3,800
August 18, 2020	August 20, 2020	200,900	19.00	3,817
August 18, 2020	August 20, 2020	700	18.98	13
August 18, 2020	August 20, 2020	400	18.96	8
August 18, 2020	August 20, 2020	600	18.94	11
August 18, 2020	August 20, 2020	1,400	18.92	26
August 18, 2020	August 20, 2020	1,000	18.90	18
August 27, 2020	September 1, 2020	200,000	19.00	3,800
September 1, 2020	September 3, 2020	455,000	18.00	8,190
				23,540
				170,068

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 periods ended March 31, 2021 and 2020 is calculated as follows:

	2021	2020
Net income attributable to owners of the Parent Company	60,563	69,617
Weighted average common shares - basic and diluted (in '000)	401,955	403,218
Basic and diluted earnings per share	0.15	0.17

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 Alstra business (formerly 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 business

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 business (formerly BIS business)

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 periods ended March 31 are as follows:

	CLS	ALSTRA	Others	Total
<i>2021</i>				
Net sales and services	2,362,913	506,470	10,737	2,880,120
Timing of revenue recognition				
At point in time	2,362,913	-	15,073	2,377,985
Over time	-	506,470	(8,110)	498,360
Cost of sales and services	(1,518,595)	(301,225)	(4,300)	(1,824,120)
Gross profit	844,318	205,245	2,662	1,052,225
Depreciation and amortization*	(21,684)	(3,885)	(7,350)	(32,919)
Amortization of right-of-use assets	(42,155)	(10,911)	194	(52,872)
Operating expenses	(598,889)	(167,982)	(108,173)	(875,044)
Interest expense	(1,736)	(1,493)	(2,929)	(6,158)
Interest income	465	348	360	1,173
Share in net income of associates	838	-	1,861	2,699
Income tax expense	(65,068)	(7,047)	(20,405)	(51,709)
Net income for the year	194,229	20,637	(86,400)	128,466
<i>2020</i>				
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*	(20,919)	(4,747)	(9,206)	(34,872)
Amortization of right-of-use assets	(40,165)	(11,879)	(3,601)	(55,645)
Operating expenses	(546,579)	(174,070)	(52,598)	(773,248)
Interest expense	(2,779)	(1,865)	(1,442)	(6,086)
Interest income	1,846	3,113	390	5,349
Share in net income of associates	(1,428)	-	(5,003)	(6,431)
Income tax expense	(61,692)	(19,974)	7,685	(73,981)
Net income (loss) for the year	131,493	61,160	(63,784)	128,867

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

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.

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

Segment information on consolidated assets and liabilities as at March 31, 2021 and December 31, 2020 are as follows:

	CCAC	CDI	COPI	Others	Total
<i>2021</i>					
Current assets	5,342,105	2,542,268	830,129	1,227,949	9,942,452
Non-current assets	1,035,313	343,210	982,908	486,855	2,848,286
Current liabilities	3,096,175	966,896	583,602	576,686	5,223,360
Non-current liabilities	564,146	82,789	39,819	127,122	813,877
Other information					
Investment in associates	85,771	-	-	68,644	154,414
Additions to non-current assets					
Property and equipment	4,515	4,731	10,992	2,563	22,801
Intangible assets	290	-	-	-	290
<i>2020</i>					
Current assets	5,509,372	2,701,729	885,039	740,669	9,836,809
Non-current assets	1,041,490	355,388	969,211	476,932	2,843,021
Current liabilities	2,491,868	1,023,266	486,717	456,326	4,458,177
Non-current liabilities	717,760	58,184	29,821	122,330	928,095
Other information					
Investment in associates	83,397	-	-	68,318	151,715
Additions to non-current assets					
Property and equipment	39,843	28,989	3,350	23,423	95,605
Intangible assets	-	-	-	18,046	18,046

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- exchange gains (losses)

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

	Note	2021	2020
Realized foreign exchange gains (losses), net		(6,194)	(16,456)
Unrealized foreign exchange gains (losses), net		4,013	15,872
	18	(2,181)	(584)

Note 26 - Financial risk and capital management

26.1 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 as at reporting date.

26.1.1 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.

(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.

26.1.2 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 is 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.

26.1.3 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, 2021 and December 31, 2020 the Group has available letters of credit and loan credit facilities from various financial institutions as follows:

Type of credit facility	2021		2020	
	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	-
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
Stand-By Letter of Credit				
Citibank				
Bills purchased line	Philippine Peso	45,000	Philippine Peso	45,000
Letters of credit	U.S. Dollar	7,800	U.S. Dollar	7,800
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, 2021 and December 31, 2020, all of the Group's financial liabilities are due and demandable within 12 months except for a portion of the lease liabilities which are expected to be settled in regular intervals until the end of the lease term. The Group expects to settle these obligations in accordance with their respective maturity dates. Except for lease liabilities which are discounted using the effective interest rates, 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.

26.2 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 2021 and 2021.

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

	2021	2020
Share capital	407,264	407,264
Share premium	993,243	993,243
Treasury shares	(170,068)	(170,068)
Retained earnings	3,907,561	4,251,057
	<u>5,138,000</u>	<u>5,481,496</u>

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, 2021 and December 31, 2020.

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 as at March 31, 2021 and December 31, 2020.

26.3 Fair value estimation of financial assets and liabilities

The Group's financial assets at fair value through profit or loss and foreign exchange forward contracts, which are measured at fair value, qualify under Level 1 and Level 2, respectively. 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, 2021 and December 31, 2020, the Group has no other financial assets or liabilities measured and carried at fair value that would qualify as Level 3.

Note 27 - 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:

27.1 Critical accounting estimates and assumptions

27.1.1 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.

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.

27.1.2 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.

27.1.3 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.

27.1.4 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.

27.1.5 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.

27.1.6 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 (Note 15).

27.1.7 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.

27.1.8 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.

27.2 Critical judgments in applying the Group's accounting policies

27.2.1 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 March 31, 2021 and December 31, 2020, 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 March 31, 2021 and December 31, 2020, 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 2020.

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.

In 2020, management has also considered the impact of the COVID-19 pandemic on COPI's ongoing and future projects in assessing its forecasted revenue growth.

Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2021 to 2025 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 March 31, 2021 and December 31, 2020.

27.2.2 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.

27.2.3 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 March 31, 2021 and December 31, 2020, based on management's assessment and judgment, the carrying value of its investment in associates is not impaired. CMI is already profitable while the newly acquired Tenex, management has assessed that its losses would be temporary.

27.2.4 Provision for impairment of receivables

The provision for impairment of receivables is based on assumptions about risk of default and expected loss rates. The Group uses estimates in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

Management believes the carrying amount of receivables is fully recoverable. The Group's policy in estimating provision for impairment of receivables is presented in Notes 28.4 and 28.5. The carrying amounts of trade and other receivables and other information are disclosed in Note 3.

27.2.5 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.

27.2.6 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.

27.2.7 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 it 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.

27.2.8 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.

27.2.9 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) (Note 19). 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.

27.2.10 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 28 - 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.

28.1 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, except for:

- forward contracts payable under financial liabilities at FVPL, and;
- the pension asset recognized as the total of the fair value of plan assets less the present value of the defined benefit obligation.

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 27.

Changes in accounting policy and disclosures

(a) New standards, amendments to existing standards and interpretations adopted

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material - amendments to IAS 1 and IAS 8
- Definition of a Business - amendments to IFRS 3
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- COVID-19-related Concessions - Amendments to IFRS 16

The Group also elected to adopt Annual Improvements to IFRS Standards 2018-2020 Cycle early.

The amendments listed above did not have a significant impact on the consolidated financial statements.

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

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

28.2 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.

28.2.1 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, 2021 and December 31, 2020 are as follows:

Entity	2021		2020	
	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	-	58	-	58

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; and Teko is 42% as at March 31, 2021 and December 31, 2020.

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 PFRS 9 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.

28.2.2 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 in this consolidated financial statements. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income 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 equal 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.

28.3 Cash and cash equivalents

Cash and cash equivalents, which are carried at amortized cost, 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 28.7).

28.4 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 28.5. 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.

28.5 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.

28.5.1 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.

(i) 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.

(ii) 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.

28.5.2 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 PFRS 9 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 28.14) (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions) and borrowings (Note 28.15).

(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

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.

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.

28.5.3 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 March 31, 2021 and December 31, 2020, there are no financial assets and liabilities that were offset.

28.6 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, 2021 and December 31, 2020, the Group does not hold financial and non-financial assets and liabilities at fair value other than foreign exchange forward contracts (Note 28.5).

28.7 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.

28.8 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.

28.9 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 28.12).

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).

28.10 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Land is not depreciated. 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.

28.11 Intangible assets

28.11.1 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.

28.11.2 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.

28.11.3 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.

28.12 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.

28.13 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.

28.14 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 28.5.

28.15 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 28.5.

28.16 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.

28.17 Equity

28.17.1 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.

28.17.2 Retained earnings

Retained earnings include current and prior years' results of operations, and reduced by 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.

28.17.3 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.

28.17.4 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.

28.18 Earnings per share

28.18.1 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.

28.18.2 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.

28.19 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.

28.20 Revenue, cost and expense recognition

28.20.1 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.

28.20.2 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.

28.21 Leases - Group as lessee

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.

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.

(a) 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.

(b) 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 of between 3 to 10 years 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.

(c) 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.

(d) 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.

28.22 Employee benefits

28.22.1 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, Alstra and Teko 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.

28.22.2 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.

28.22.3 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.

28.22.4 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 as at March 31, 2021 and December 31, 2020.

28.23 Foreign currency transactions and translation

28.23.1 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.

28.23.2 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.

28.24 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.

28.25 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.

28.26 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.

On March 26, 2021, (RA No.11534), otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

The CREATE bill was approved by the President of the Republic of the Philippines on March 26, 2021. The enacted income tax rate resulted in lower deferred tax assets, and lower income tax expense as at March 31, 2021.

28.27 Impact of Coronavirus disease (Covid-19)

Subsequent to the outbreak of the COVID-19 pandemic in early 2020, a series of measures to curb the COVID-19 outbreak has been and continues to be implemented in countries where the Group and its related parties operates. The Group has taken appropriate measures to preserve the health and safety of its employees and stakeholders as well as the business operations and in compliance with government mandated issuances and regulations.

The pandemic has slowed down the Group's sales as a result of government-imposed restrictions in the country starting March 17, 2020. Recovery was seen in the demand of its products starting the third quarter of 2020 as more consumers remained on lockdown. The Group did not have major difficulties in the collection of outstanding receivables for sales earned in 2020.

The Group is closely monitoring the status of the COVID-19 pandemic and its continuing impact on its business operations and is optimistic that the pandemic would not have a significant long-term impact on the Group's financials. The Group will continue to address the issues that directly affect its business operations and to look for measures to mitigate and reduce impact to its profitability. Management has also considered the impact of the pandemic in determining the recoverability of its assets and sufficiency of provisions as at March 31, 2021 and December 31, 2020.

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, 2021)

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. In 2020, CDI introduced other small home appliances such as rice cookers, grillers, and coffee makers.

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. In 2020, CBSI introduced an online platform to allow other subsidiaries to sell directly to consumers (Concepstore).

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.

Key Performance Indicators

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

	For the period ended March 31, 2021	For the period ended March 31, 2020
Gross Profit Margin (%)	36.7%	36.1%
Profit Before Tax (%)	6.3%	7.4%
Net Income Attributable to Shareholders (Php Millions)	58.5	69.6
Net Income Attributable to Shareholders (% to Sales)	2.0%	2.5%
Return on Average Equity (%)	4.5%	5.4%
Return on Average Assets (%)	3.9%	4.2%
Earnings per share*	0.15	0.17
	As at March 31, 2021	As at March 31, 2020
Debt to Equity Ratio	0.9	0.9
Asset to Equity Ratio	1.9	1.9
Current Ratio	1.9	2.0
Book Value Per Share*	12.6	13.1

*Note: Total Number of Shares used is 401,955,091 in 2021 and 403,218,091 in 2020.

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

Factors affecting the Company's financial and operational results in the first three months of 2021

Macroeconomic Fundamentals: The Philippine economy experienced contraction of 4.2% in Q1 as a result of the economic disruptions caused by COVID-19. The continued contraction was attributable to the ongoing stringent quarantine measures implemented in major areas such as National Capital Region (NCR) and nearby provinces in NCR. The slow reopening of the economy, and the delayed vaccination drive. At the same time, the average inflation rate for Q1 hit 4.5%, primarily due to supply side pressures and higher global oil prices.

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 Enhanced Community Quarantine (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 71% of the Company's manufactured cost of sales. FX has been relatively stable during Q1 but commodity prices for copper, silver, and aluminum have been on an uptrend due to increased demand in the China domestic market. Fuel prices have also increased due to OPEC members' constriction of supply and the increased global economic activity. Challenges arose from material sourcing especially imported raw materials due to port and logistics restrictions, as well as the container shortage in Asia.

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

CIC achieved for the period ended March 31, 2021 a profit before tax (PBT) of P180.2 million, a decline of 11.2% from the same period in 2020. The adjustment in the income tax rate from 30% to 25% based on Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act and lower PBT resulted to lower deferred tax assets and income tax expense of P51.7 million, a 30.1 % decline from 2020. The consolidated earnings of CIC was at P128.5 million or 0.3% decline from 2020. Profit after tax after minority interest (PATAMI) was at P58.5 million or a 16.0% decline.

Net sales and services

The consolidated net sales and services was at P2.9 billion, a 5.3% increase from P2.7 billion from same period last year.

The Consumer Lifestyle Solutions (CLS) Division posted a comparative period increase in sales of 14%, to P2.4 billion. The increase in sales was mainly due to increased consumer confidence, and the CLS campaign to strengthen the core through an aggressive brand energizing campaign, investments in digital channels, and new product introductions.

The Alstra Division consisting of commercial AC, elevators and escalators posted a comparative period decrease in sales of 22.9% to P0.5 billion due to the impact of restrictions in economic activities in the construction sector brought about by COVID-19.

Gross Profit and Margins

CIC registered consolidated gross profit of P1.1 billion for the period ended March 31, 2021, a 7.1% increase from same period last year. The increase was attributable to the improved sales of CLS Division in Q1 2021.

Operating Expenses

CIC's total operating expenses were at P878.8 million in 2021, higher by 13.7% compared to same period last year, due to increase in expenditures mainly from advertising and promotion, outside services, professional fees and provision for warranty.

Other Operating Income and Finance Costs

Other operating income of P6.4 million was mainly related to commission income, interest income from bank deposits and short-term placements. The finance cost of P6.2 million was composed of interest expense on short-term borrowings and amortization of lease liabilities.

FINANCIAL CONDITION

As at March 31, 2021 compared with as at December 31, 2020

Consolidated total assets as at March 31, 2021 was at P12.8 billion, up by P111 million from end of 2020 of P12.7 billion. The increase in assets was coming from cash and cash equivalents, trade and other receivables and inventories. Consolidated net cash position was up by P3.0 million to P3.0 billion as at March 31, 2021.

The increase in inventory of P203.8 million versus December 31, 2020 was due to lower revenue than expected in Q1 and in anticipation for the peak season in Q2.

Total liabilities as at March 31, 2021 amounted to P6.0 billion, an increase of P651.0 million from December 31, 2020 mainly driven by trade payables and other liabilities due to higher inventory purchases in Q1 2021.

ANNEX D

2021 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 14 June 2021 (the "Stockholder/s") may register by notifying the Corporate Secretary by email to cic.secretary@romulo.com on or before 4 July 2021. Registration shall be open from 29 June 2021 to 4 July 2021.
2. Upon registration, Stockholders shall provide the following information and documents (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 (14 June 2021)
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 (14 June 2021)
 - 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

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 2021 to 4 July 2021. 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 4 July 2021.
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 (<https://zoom.us/join>). 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 2021 to 4 July 2021;
 - 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 4 July 2021; 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 not later than 4 July 2021.
3. Questions and comments on the items in the Agenda may be sent to investorrelations@cic.ph. Questions or comments received on or before 4 July 2021 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 Corporation's website, <https://cicasm2021.cic.ph/>.

ANNEX E

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ALFREDO E. PASCUAL**, Filipino, of legal age and a resident of 12 Penelope Lane, Acropolis, Quezon 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 (the "Corporation") and have been its independent director since 10 July 2019.
2. I am affiliated with the following companies or organizations:



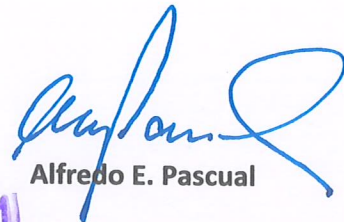
Company/Organization	Position/Relationship	Period of Service
SM Investments Corporation	Lead Independent Director	2017 – present
Megawide Construction Corporation	Independent Director	2018 – present
Asiabest Group International Inc.	Independent Director	2019 – present
Enderun Colleges, Inc.	Independent Director	2018 – present
Arkstone Group, Inc.	Chairman	2020 – present
Institute of Corporate Directors	Board Trustee *	2018 – present
Institute of Solidarity in Asia	Board Trustee *	2018 – present
Shareholders' Association of the Philippines	Vice Chairperson *	2018 – present
Management Association of the Philippines	Board Member *	2021 - present
FINEX Academy	Trustee *	2021 - present
Philippine Council for Foreign Relations	Member *	2020 - present
US Philippines Society	Director *	2020 - present
University of the Philippines Foundation, Inc.	Board Trustee *	2018 – present
University of the Philippines (UP) System	Special Adviser *	2017 – present
Philippine Institute for Development Studies	Board Adviser *	2019 – present

Note: * without compensation

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the 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 any of the directors/officers/substantial shareholders of the Corporation 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.

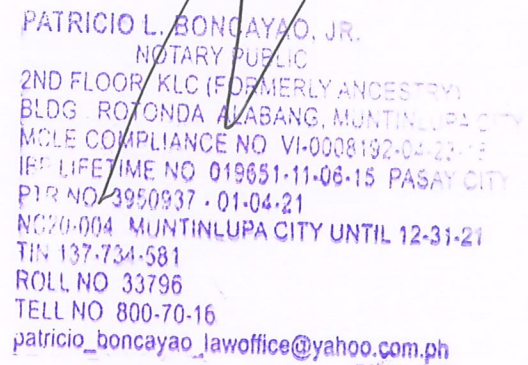
DONE this 3 June 2021 at Quezon City.


Alfredo E. Pascual

JUN 07 2021

SUBSCRIBED AND SWORN to before me this _____ at MUNTINLUPA CITY
affiant personally appeared before me and exhibited to me his Philippine Unified Multi-Purpose ID CRN 021-1107-1634-8.

Doc. No. 230
Page No. 42
Book No. 173
Series of 2021.


PATRICIO L. BONCAYAO, JR.
NOTARY PUBLIC
2ND FLOOR KLC (FORMERLY ANCESTRY)
BLDG. ROTONDA ALABANG, MUNTINLUPA CITY
MCLE COMPLIANCE NO. VI-0008192-04-23-13
IFF LIFETIME NO. 019651-11-06-15 PASAY CITY
PTR NO. 3950937 - 01-04-21
NG70-004 MUNTINLUPA CITY UNTIL 12-31-21
TIN 137-734-581
ROLL NO 33796
TELL NO 800-70-16
patricio_boncayao_lawoffice@yahoo.com.ph

ANNEX E-1

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 (the "Corporation") and have been its independent director since 27 November 2013.
2. I am affiliated with the following companies or organizations:

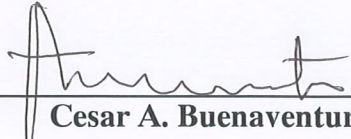
Company/Organization	Position/Relationship	Period of Service
Buenaventura Echauz & Partners, Inc.	Chairman	2001 to present
Bloomberry Cultural Foundation	Director	2015 to present
DM Consunji, Inc.	Director	1995 to present
DMCI Holdings, Inc.	Vice Chairman	1995 to present
International Container Terminal 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
Petroenergy 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
Manila Water Company, Inc.	Director	2021 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the 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 any of the directors/officers/substantial shareholders of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 day _____ of _____, at MUNTINLUPA CITY

JUN 07 2021


Cesar A. Buenaventura

SUBSCRIBED AND SWORN to before me this JUN 07 2021 day _____ of at _____
MUNTINLUPA CITY affiant personally appeared before me and exhibited to me his/her

TIN: 121-5077656 issued at _____ on _____.

Doc. No. 218
Page No. 40
Book No. 277
Series of 2021.

PATRICIO L. BONCAYAO, JR.
NOTARY PUBLIC
2ND FLOOR KLC (FORMERLY ANCESTRY)
BLDG. ROTONDA ALABANG, MUNTINLUPA CITY
MCLE COMPLIANCE NO. VI-0008192-04-23-18
IBP LIFETIME NO. 019651-11-06-15. PASAY CITY
PTR NO. 3950937 - 01-04-21
NC20-004 MUNTINLUPA CITY UNTIL 12-31-21
TIN 137-734-581
ROLL NO 33796
TELL NO 800-70-16
patricio_boncayao_lawoffice@yahoo.com.ph

ANNEX E-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUSTO A. ORTIZ**, Filipino, of legal age and a resident of 5 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

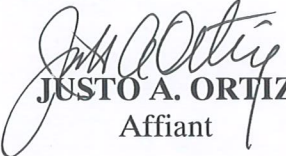
1. I am a nominee for independent director of Concepcion Industrial Corporation (the “Corporation”) and have been its independent director since 6 November 2020.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Philippine Payments Management, Inc.	Chairman	October 2017 to present
Fintech Philippines Association, Inc.	Chairman	May 2018 to present
Distributed Ledger Technology Association of the Philippines, Inc.	Chairman	May 2018 to present
Petnet, Inc.	Chairman	December 17, 2018 to present
Union Bank of the Philippines	Vice Chairman	May 22, 2020 to present
UBP Investments Corporation	Director	December 20, 1993 to present
UBX Philippines Corporation	Director	January 14, 2019 to present
City Savings Bank, Inc.	Director	March 22, 2018 to present
The Insular Life Assurance Co., Ltd.	Non-Executive Trustee	November 1, 2017 to present
Philippine Trade Foundation, Inc.	Member, Board of Trustees	January 1, 2011 to present
Makati Business Club	Member	1993 to present
World Presidents Organization	Member	January 1, 2018 to present
Management Association of the Philippines	Member	October 01, 2017 to present
One Food Group	Director	January 01, 2021
Aboitiz Equity Ventures	Director	April 26, 2021

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

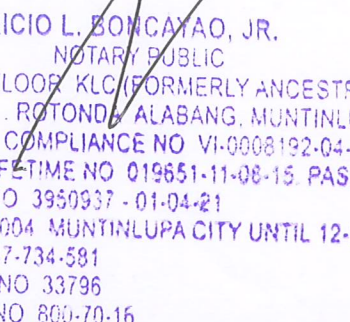
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding
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 day JUN 07 2021 of _____, at MUNTINLUPA CITY.


JUSTO A. ORTIZ
 Affiant

SUBSCRIBED AND SWORN to before me this _____ day of JUN 07 2021
 at _____, affiant personally appeared before me and exhibited to me his Unified
 Multi-Purpose ID No. CRN 006-0000-0000-9.

Doc. No. 231 ;
 Page No. 09 ;
 Book No. 733 ;
 Series of 2021.


PATRICIO L. BONCAYAO, JR.
 NOTARY PUBLIC
 2ND FLOOR, KLG (FORMERLY ANCESTRY)
 BLDG. ROTONDA ALABANG, MUNTINLUPA CITY
 MCLE COMPLIANCE NO. VI-0008192-04-23-18
 IBP LIFETIME NO. 019651-11-08-15, PASAY CITY
 PTR NO. 3950937 - 01-04-21
 NC20-004 MUNTINLUPA CITY UNTIL 12-31-21
 TIN 137-734-591
 ROLL NO. 33796
 TELL NO. 800-70-16
 patricio_boncayao_lawoffice@yahoo.com.ph