COVER SHEET

CONCEPCION INDUSTRIAL CORPORATION
(formerly Concepcion Airconditioning Corporation)
Company's Full Name

308 Sen. Gil J. Puyat Avenue
Makati City, Philippines
Company's Address: No./Street/City/Town/Province

(02) 8772 1819
Company's Telephone Number

31 December
Fiscal Year Ending
(Month & Day)

DEFINITIVE INFORMATION STATEMENT
SEC Form 20-IS
FORM TYPE

LCU

Cashier

DTU

A1997-13456
SEC Reg. No.

File No.

Central Receiving Unit

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 SPECIAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Notice is hereby given that **CONCEPCION INDUSTRIAL CORPORATION** (formerly Concepcion Airconditioning Corporation) (the "Corporation") will conduct its Special Stockholders' Meeting virtually via Zoom on 6 November 2020 at 1 p.m., at which meeting the following matters shall be taken up:

1. Call to Order;
2. Certification of Existence of Quorum;
3. Election of Independent Director;
4. Other Matters; and
5. 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 2 October 2020.

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** on or before 26 October 2020.

All stockholders who wish to vote through a proxy or *in absentia* shall submit the duly signed proxies or ballots, as the case may be, to the Office of the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to **cic.secretary@romulo.com** not later than 26 October 2020. The proxies and ballots submitted shall be validated on 27 October 2020 at 2:00 p.m. We are not soliciting proxies.

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

JAYSON L. FERNANDEZ
Corporate Secretary

AGENDA DETAILS AND RATIONALE

1. Call to Order

The Chairman of the board of directors (the "Board"), Raul Joseph A. Concepcion, will formally open the meeting at approximately 1 p.m.

2. Certification of Existence of Quorum

The Corporate Secretary, Atty. Jayson L. Fernandez, will certify that stockholders of record as of 2 October 2020 were notified of the meeting by way of publication in two newspapers of general circulation for two consecutive days, and the Information Statement was posted on the Corporation's website, https://cicssm2020.cic.ph/, in accordance with the Securities and Exchange Commission ("SEC") Notice on Alternative Mode of Distributing and Providing Copies of the Notice of Meeting, Information Statement, and Other Documents in Connection with the Holding of a Stockholders' Meeting for 2020, dated 20 April 2020. The Corporate Secretary will also certify, based on the number of stockholders attending through remote communication and/or who voted *in absentia* or are represented by proxy at the meeting, whether a quorum exists for the valid transaction of business.

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

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

a. Stockholders may attend the meeting remotely *via* Zoom Meeting (https://zoom.us/join). The information necessary to attend the meeting, including the Zoom meeting ID and password, shall be sent via email to all shareholders who are able to register as required herein.

b. Stockholders must notify the Corporate Secretary by email to **cic.secretary@romulo.com** of their intention to attend the meeting by remote communication to be included in determining quorum, together with the stockholders who intend to vote *in absentia* and by proxy.

c. Registration to attend the meeting by remote communication and/or to vote *in absentia* and by proxy shall be open from 14 October 2020 to 26 October 2020. For purposes of validation, upon registration, stockholders must provide the following information and upload the documents listed below (the file size should be no larger than 5MB):

   i. For Individual Stockholders:
      a. Email Address
      b. First and Last Name
      c. Address
      d. A valid and active Mobile / Phone Number
      e. A scanned copy of the stockholder's valid government-issued ID with picture and signature
      f. Additional requirement for stockholders with joint accounts: A scanned copy of an authorization letter signed by all joint stockholders, identifying who among them is authorized to cast the vote for the account

   ii. For Corporate Stockholders:
      a. Email Address of the representative of the corporate stockholder
      b. First and Last Name of the representative of the corporate stockholder
      c. Address of the corporate stockholder
      d. A valid and active Mobile / Phone Number of the representative of the corporate stockholder
      e. A scanned copy of a valid government-issued ID of the representative of the corporate stockholder authorized to cast the vote for and on behalf of the corporate stockholder ("Authorized Vote") with photograph
      f. A scanned copy of the certification duly signed by the corporate secretary of the corporate stockholder attesting to the authority of the representative to vote for and on behalf of the corporate stockholder

   iii. For stockholders under Broker Accounts (PCD Nominee)

      Individual beneficial owner
      a. Email Address
      b. First and Last Name
      c. Address
      d. A valid and active Mobile / Phone Number
      e. A scanned copy of a valid government-issued ID of the individual beneficial owner with photograph

f. A scanned copy of the broker's certification on the individual beneficial owner's name, account number and shareholdings as of record date (2 October 2020)

Corporate beneficial owner

a. A scanned copy of the broker's certification on the corporate beneficial owner's name, account number and shareholdings as of record date (2 October 2020)
b. A scanned copy of the certification duly signed by the corporate secretary of the corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial owner
c. A scanned copy of a valid government-issued ID of the representative of the corporate beneficial owner with photograph

d. Stockholders may cast their votes on any item in the agenda for approval through the following modes on or before 26 October 2020:

   i. By sending their duly signed proxies appointing the Chairman of the meeting to the Corporate Secretary, together with the information and documents mentioned under item (c); or
   ii. By voting *in absentia* through their duly signed ballots sent to the Corporate Secretary, subject to the validation procedure mentioned in item (c).

e. Other Matters that are proposed to be included in the agenda by qualified minority shareholders as provided in SEC Memorandum Circular No. 14, Series of 2020, must be submitted to the Corporate Secretary by email to **cic.secretary@romulo.com** not later than 26 October 2020. All stockholders who have validly registered to participate in the meeting by remote communication or vote *in absentia* or through a proxy will receive an email from the Corporate Secretary informing them of the Other Matter(s) for approval by the qualified minority shareholder(s), should such matter(s) require the vote of the shareholders. Stockholders must send their votes (Yes, No, or Abstain) to the Corporate Secretary by email at to **cic.secretary@romulo.com** no later than 30 October 2020.

f. Stockholders may send their questions or comments on the items in the Agenda prior to or during the meeting by e-mail at **investorrelations@cic.ph**. The Corporation will endeavor to answer the questions submitted either during the course of the meeting or separately through the Corporation's Investor Relations Office within a reasonable period after the meeting.

g. Each Agenda item will be shown on the screen during the live streaming as the same is taken up at the meeting.

h. All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.

i. Election of the director 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. Election of Independent Director

A copy of the *curriculum vitae* and profile of the nominee for Independent Director and member of the Board of 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.

4. 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.

5. 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 special stockholders' meeting of the Corporation on 6 November 2020 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. **Election of the members of the Board of Directors**

	Yes	No	Abstain
Justo A. Ortiz (Independent Director)	________	________	________

2. **The proxy named above is authorized to vote upon such other matters as may properly come before the meeting**
    - **For**
    - **Against**
    - **Abstain**

Printed Name of Stockholder and Signature: ______________________ **Date:** _____________

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE 26 OCTOBER 2020 AT 5:00 P.M. FOR CORPORATE STOCKHOLDERS, PLEASE ATTACH TO THIS PROXY FORM THE SECRETARY'S CERTIFICATE ON THE AUTHORITY OF THE SIGNATORY TO APPOINT THE PROXY AND SIGN THIS FORM.

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

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

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement

   [✓] Definitive Information Statement

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

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

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

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

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

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

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

   Date: 6 November 2020
   Time: 1 pm
   Place: Virtually via Zoom (https://us02web.zoom.us/j/8894388320?pwd=TGFFNDBaY2JYVGNGdnEwMXJKMkVMZz09)

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **14 October 2020**

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

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

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

    Yes ____✓____ No __________

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

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

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

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The Special Stockholders' Meeting of Concepcion Industrial Corporation (formerly Concepcion Airconditioning Corporation) (the "Company") will be held virtually via Zoom (https://us02web.zoom.us/j/8894388320?pwd=TGFFNDBaY2JYVGNGdnEwMXJKMkVMZz09) on 6 November 2020 at 1 p.m.

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

The approximate date on which copies of the information statement are first to be sent or given to security holders is 14 October 2020.

Item 2. **Dissenters' Right of Appraisal**

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

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

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

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

There are no matters or proposed corporate actions included in the agenda for the Special 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 Special 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 special meeting held on 18 September 2020 all stockholders at the close of business hours on 2 October 2020 shall be entitled to notice and to vote at the Special Stockholders' Meeting scheduled on 6 November 2020. The stockholders will vote on matters scheduled to be taken up at the Special Stockholders' Meeting with each share being entitled to cast one (1) vote.

(b) For the election of the independent director, 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 [October 2], 2020 were as follows:

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

The following are the representatives and authorized to cast votes for the three major shareholders to the Special 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 2 October 2020:

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

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

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

(e) Voting Trust Holders of 5% or more

There are no voting trusts or similar agreements covering the shares of stocks of the 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 Chairman and President	58	Filipino	1 year	Director and Officer since 1997	Foresight Realty and Development Corporation, Concepcion Durables, Inc., Concepcion Midea, Inc., Concepcion Otis Philippines, Inc. Cortex Technologies Corporation, Alstra Incorporated, Teko Solutions Asia, Inc.
Renna C. Hechanova-Angeles Vice-chairman and Treasurer	65	Filipino	1 year	Director and Officer since 1997	Hy-land Realty and Development Corporation, Concepcion Durables, Inc.
Raul Anthony A. Concepcion Director	50	Filipino	1 year	Since 5 July 2013	Foresight Realty and Development Corporation, Concepcion Durables, Inc.
Jose Ma. A. Concepcion III	62	Filipino	1 year	Since 5 July 2013	Horizons Realty, Inc. RFM Corporation

Director					
Ma. Victoria Herminia C. Young Director	61	Filipino	1 year	Since 5 July 2013	Horizons Realty, Inc., RFM Corporation Concepcion Durables, Inc.
Raissa C. Hechanova-Posadas Director	60	Filipino	1 year	Since 5 July 2013	Hy-land Realty and Development Corporation
Cesar A. Buenaventura Independent Director	91	Filipino	1 year	Since 27 November 2013	DMCI Holdings, ICTSI, SEMIRARA AG&P Company of Manila and Montecito Properties
Alfredo E. Pascual Independent Director	71	Filipino	1 year	Since 10 July 2019	SM Investments Corporation, Megawide Construction Corporation
Justo A. Ortiz Independent Director (nominee)	62	Filipino	0 year	N/A	PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation, UBX Philippines Corporation, 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.
Rafael C. Hechanova, Jr. Executive Vice President, Business Development	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
Maria Victoria A. Betita Chief Finance Officer	53	Filipino	1 year	Since 14 November 2011	Alstra Incorporated, Concepcion Durables, Inc., Concepcion Midea, Inc. ,Cortex Technologies Corp., Concepcion Otis Philippines, Inc.
Rajan Komarasu Director, Business & Industrial Solutions Group	54	Singaporean	1 year	Since 11 March 2013	Alstra Incorporated Concepcion Otis Philippines, Inc., Tenex Services, Inc.
Harold T. Pernikar Director, Consumer Sales Group	43	American	1 year	Since 18 February 2013	Concepcion Durables, Inc., Concepcion Midea, Inc.
Phillip F. Trapaga	55	Filipino	1 year	Since 15 July 2013	None

General Manager, Concepcion Midea					
Alexander T. Villanueva	47	Filipino	1 year	Since 15 May 2006	None
Director and General Manager, Manufacturing and Supply Chain Management					
Shaun Byrne	46	Australian	1 year	Since 2 January 2015	Cortex Technologies Corp.
President, Cortex Technologies Corp.					
Mary Grace Z. Velasco	41	Filipino	1 year	Since 22 September 2013	Pepper Broers Inc.,AOM.
Vice President, Investor Relations and Corporate Planning					
Michael Eric I. Sarmiento	50	Filipino	1 year	8 March 2020	Concepcion Business Services, Inc.
President and COO, Concepcion Business Services, Inc.					
Richard L. Parcia	44	Filipino	1 year	15 October 2018	None
Chief Information Officer					
Omar C. Taccad	51	Filipino	1 year	9 July 2018	None
Chief Compliance Officer and Vice President for Legal, Governance and Compliance					
Jayson L. Fernandez	50	Filipino	1 year	Since 18 July 2013	Cortex Technologies Corp.
Corporate Secretary					
Roxanne Viel C. Santos	35	Filipino	1 year	Since 15 July 2020	None
Assistant Corporate Secretary					

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

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

<u>Executive Committee</u>
Raul Joseph A. Concepcion (Chairman)
Renna C. Hechanova-Angeles
Raul Anthony A. Concepcion

<u>Audit and Risk Oversight Committee</u>
Alfredo E. Pascual. (Chairman)
Cesar A. Buenaventura
Raissa C. Hechanova-Posadas
Ma. Victoria Herminia C. Young

<u>Compensation and Remuneration Committee</u>
Cesar A. Buenaventura (Chairman)
Jose Ma. A. Concepcion III
Alfredo E. Pascual

<u>Corporate Governance and Nominations Committee</u>
Cesar A. Buenaventura (Chairman)
Alfredo E. Pascual
Raul Joseph A. Concepcion
Renna C. Hechanova-Angeles

(a) Directors, Independent Directors, and Executive Officers

Directors

The incumbent directors were elected as members of the Board of Directors of the Company on 15 July 2020 for the ensuing year. The Corporate Governance and Nominations Committee processed and evaluated the nominations of the incumbent directors in accordance with guidelines as required by law, regulations, and the Company's Manual of Corporate Governance and By-Laws. The Committee unanimously resolved that all of the incumbent directors are qualified for re-election.

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

Independent Directors

The independent directors of the Company are currently as follows:

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

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

Following the approval by the Securities and Exchange Commission (the "SEC" or "Commission") of the increase in the number of directors of the Company from eight to nine last 30 July 2020, there is one vacancy in the Board of Directors. The nominee for Independent Director to fill said vacancy in the Board of Directors is Justo A. Ortiz ("Mr. Ortiz"). The information on the business experience of Mr. Ortiz is found in Annex "A" hereof.

The Company's Corporate Governance and Nominations Committee evaluated and reviewed Mr. Ortiz's qualifications based on the guidelines for Independent Directors spelled out in Section 38 of the Securities Regulation Code ("SRC"), all rules and regulations issued by the "SEC to implement the SRC, and the Company's Manual on Corporate Governance, and unanimously resolved that Mr. Ortiz is qualified and meets the requirements for election.

The name of the person who recommended the nomination of Mr. Ortiz for independent director is Ms. Riana H. Trajano. Mr. Ortiz is not related to Ms. Riana H. Trajano whether by affinity or consanguinity up to the fourth civil degree.

Mr. Ortiz has certified that he possesses all of the qualifications and none of the disqualifications provided for in the SRC. A copy the Certificate of Independent Director executed by Mr. Ortiz is found in Annex "D" hereof, in accordance with Memorandum Circular No. 5, Series of 2017 of the SEC.

(b) Significant Employees

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

(c) Family Relationships

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

(d) Involvement in Certain Legal Proceedings

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

(e) Certain Relationships and Related Transactions

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

	2019		2018		2017	
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)
Shareholders						
Rent and utilities	52,292	(3)	56,265	(1,110)	48,830	-
Lease of warehouse	53,364	-	45,082	-	43,116	-
Dividend declaration	486,606	-	487,056	-	338,233	-
Advances from shareholders	-	(1,157)	-	(1,748)	-	(2,510)
Associate						
Administrative services	19,115	1,593	17,878	4,470	9,031	1,631
Transfer of employees	706	(8,578)	1,962	(7,740)	1,553	(6,783)
Transfer of employees	1	1,781	2,071	2,071	-	-
Purchase of goods, net of return	223	(20)	787	(20)	13,846	(3,410)
Sale of goods	232	2,558	17,592	20,674	3,083	3,083
Product loan	-	-	-	(40)	-	(42)
Advances to associate	83,039	44,647	12,294	10,068	2,062	220
Advances from associate	2,653	(210)	265	(1,061)	880	(569)
Entities under common control						
Rent and utilities	34,372	1	32,494	(2,707)	36,280	-
Entities with common shareholders						
Sale of goods	24	-	-	-	7,880	4,389
Commission income	32,895	27,419	25,728	10,567	8,058	4,900
Reimbursements	-	-	795	4	-	-
Dividend declaration	895,560	-	431,700	-	314,450	-
Purchases, net purchase returns	2,511,901	(318,022)	1,531,012	(376,333)	2,047,663	(442,216)
Collections (Payments) in behalf of a related party	54,260	(2,105)	54,260	(4,330)	74	(4,385)
Royalty/Technical fee	56,160	(8,049)	51,448	(4,835)	58,499	(10,544)
Key management personnel						
Short-term						
Directors fees	3,943	3,943	18,558	(18,558)	19,515	(19,515)
Salaries and wages	459,369	(105,307)	523,563	(100,499)	397,684	(160,040)
Long-term						
Retirement benefit	13,462	(61,662)	9,863	(101,998)	10,253	(92,068)
Retirement plan						
Contributions to the retirement fund	329	-	-	-	4,335	-
Claims from the retirement fund	29,508	-	21,774	-	3,996	-

(f) Resignation of Directors

No director has resigned nor declined to stand for reelection because of a disagreement with the 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 2019:

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

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

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

Note:
(1) includes salary, bonuses and other income.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board of Directors for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments 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 2019 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 Special 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 2019 for each of the professional services rendered by the Group's external auditors are summarized as follows:

NATURE OF AUDIT	FIRM	CIC	CCAC	CDI	COPI	CMIP	CBSI	CTC	TEKO	ALSTRA	TENEX	TOTAL
December 31, 2019 External Audit	PWC	730	900	760	720	470	470	200	**50**	10	20	4,330

Impairment of Goodwill	P&A	400	-	-	-	-	-	-	-	-	-	400
Purchase Price Allocation Valuation	P&A	400	-	-	-	-	-	-	-	-	-	400
Tax Consultancy	SGV	360	1,000	-	1,526	-	-	-	-	-	-	2,886
	ROMULO	-	-	508	-	-	-	-	-	-	-	508
	VACO	-	-	115	-	-	-	-	-	-	-	115
	IGD	-	-	-	-	556	852	-	-	-	-	1,408
Actuarial Valuation Report	EMZ	13	47	25	25	17	23	17	-	-	-	167
TOTAL		1,903	1,947	1,408	2,271	1,043	1,345	217	**50**	10	20	10,214

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

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

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

Item 8. **Compensation Plans**

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. **Modification or Exchange of Securities**

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

Item 11. **Financial and Other Information**

The Company's 17-Q as of 30 June 2020 and other data related to the Company's financial information are attached hereto as Annex "B".

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

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

Item 13. **Acquisition or Disposition of Property**

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

Item 14. **Restatement of Accounts**

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

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

There are no matters or actions to be taken up in the meeting relating to reports.

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) Election of an Independent Director

The independent member of the Board of Directors is elected at the Special Stockholders' Meeting to hold office until the next Annual Stockholders' Meeting and until his successor shall have been elected and qualified.

Item 19. **Voting Procedures**

(a) Vote Requirement

The following matters require the following votes:

Subject Matter	**Votes Required**
Election of an Independent Director	The nominee with the most number of votes cast is elected

(b) Method of Voting

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

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

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this Information Statement, and shall be received by the Corporate Secretary on or before 26 October 2020.

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

All votes will be counted and tabulated by the Corporate Secretary and a committee organized by the Board 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.

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 26 October 2020.

Please refer to Annex "C" 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 1st day of October 2020.

CONCEPCION INDUSTRIAL CORPORATION

By:

JAYSON L. FERNANDEZ
Corporate Secretary

ANNEX A

THE CURRENT BOARD OF DIRECTORS OF THE COMPANY FOR THE 2020-2021 TERM

Name	Position	Date Elected To The Board	Citizenship	Age
Raul Joseph A. Concepcion	Chairman	15 July 2020	Filipino	58
Renna C. Hechanova-Angeles	Vice-Chairman & Treasurer	15 July 2020	Filipino	65
Raul Anthony A. Concepcion	Director	15 July 2020	Filipino	50
Jose Ma. A. Concepcion III	Director	15 July 2020	Filipino	62
Ma. Victoria Herminia C. Young	Director	15 July 2020	Filipino	61
Raissa C. Hechanova-Posadas	Director	15 July 2020	Filipino	60
Cesar A. Buenaventura	Independent Director	15 July 2020	Filipino	91
Alfredo E. Pascual	Independent Director	15 July 2020	Filipino	71

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

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

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

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

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

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

Independent Directors

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

Alfredo E. Pascual, 71, was deemed elected to the Board of the Company on 10 July 2010. 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 UnionBank. 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 UnionBank 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 OCTOBER 2, 2020

Position	Name	Citizenship	Age
Chairman, Chief Executive Officer of CIC and President of CCAC	Raul Joseph A. Concepcion	Filipino	58
Vice Chairman and Treasurer	Renna C. Hechanova-Angeles	Filipino	65
President of CDI; Vice Chairman of CDI	Raul Anthony A. Concepcion	Filipino	50
Executive Vice President, Business Development and Corporate Marketing, CIC and CCAC	Rafael C. Hechanova, Jr.	Filipino	61
Chief Finance Officer, CIC and CCAC; CEO of CBSI	Ma. Victoria A. Betita	Filipino	53
Vice President, Investor Relations and Corporate Planning	Mary Grace Z. Velasco	Filipino	41
President, Alstra Group, CCAC and COPI; CEO and President, COPI; CEO and President, Alstra	Rajan Komarasu	Singaporean	53
President, Consumer Lifestyle Solutions, CCAC, CDI and CMIP; CEO of CDI	Harold Thomas Pernikar, Jr.	American	43
Chief Information Officer	Richard L. Parcia	Filipino	44
President, Product Solutions Division, CCAC and CDI	Alexander T. Villanueva	Filipino	48
CEO of Technology Division (CTC)	Shaun Byrne	Australian	45
President and COO, Concepcion Business Services, Inc.	Michael Eric I. Sarmiento	Filipino	50
Chief Compliance Officer, Vice President for Legal Governance and Compliance	Omar C. Taccad	Filipino	51
Corporate Secretary	Jayson L. Fernandez	Filipino	50
Assistant Corporate Secretary	Roxanne Viel C. Santos	Filipino	35

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

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

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

Rafael Concepcion Hechanova, Jr., 61 was appointed as Executive Vice President for Business Development and Corporate Marketing of the Company and CCAC on 30 December 1997. He plays a key role in ensuring that the Company continues to do good business across all its markets. He oversees both the Consumer and Business Solutions Groups, including new business units for corporate marketing and business development, Prior to his tenure in CCAC, Mr. Hechanova served as a Director of the Pacific Basin Development Company in Vancouver, Canada. Upon returning to the Philippines and joining Concepcion Industries in 1994, he became responsible for managing the sales and aftermarket service of chillers and AHUs to institutional and commercial customers. In 1998, Mr. Hechanova joined the CCAC leadership as an operating partner managing retail sales and marketing for RLC air conditioning products ensuring that both product and brand development initiatives were based on unique and demanding Filipino insights. This enabled CCAC to launch highly relevant branded communication messages for Carrier, Condura and Kelvinator as well as product innovations including the patented energy saving plug. Mr. Hechanova is also currently a director of Concepcion-Carrier Realty Holdings, Inc. and of Hy-land. He was a director of CAC from 1998 to 2013 and of CCAC from 2006 to 2009. He took up Mechanical Engineering at the De La Salle University and graduated at the British Columbia Institute of Technology.

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

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

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

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

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

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

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

Michael Eric I. Sarmiento, 50, was appointed as President & COO of Concepcion Business Services, Inc. (CBSI) on 9 March 2020. CBSI is the Shared Services Co. of CCAC that provides IT, HR, Finance & Accounting, Business Process

Re-engineering, & Administrative Services to the Group. Mr. Sarmiento specializes in Finance & IT with almost 20 years of experience in Business & Systems Analysis, Business Intelligence, Data Analytics, IT Project Management & Consulting, and Management Accounting. Prior to joining CIC, 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, 51, was appointed Chief Compliance Officer last October 2019 and is the Vice President for Legal, Governance and Compliance of the Corporation since 9 July 2018. Prior to joining the Corporation, he was Assistant Corporate Secretary of PLDT Communications and Energy Ventures, Inc. (formerly Pilipino Telephone Corporation) and served as Corporate Secretary or Assistant Corporate Secretary of several subsidiaries of PLDT, Inc., where he was also Head of Subsidiaries Services Division – Corporate Affairs and Legal Services Group until 2017. He obtained his Juris Doctor degree from the Ateneo de Manila University and was admitted to the Philippine Bar in 1998.

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

Roxanne Viel C. Santos, 35, 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

COVER SHEET

A 1 9 9 7 1 3 4 5 6

SEC Registration Number

CONCEPCION INDUSTRIAL CORPORATION

(Company's Full Name)

308 SEN. GIL PUYAT AVENUE MAKATI CITY

(Business Address: No. Street City/Town/Province)

MA. VICTORIA A. BETITA

(Contract Person)

850-1367 ext. 262

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

0 7 | 1 0

Month *Day*

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

CORPORATE FINANCE

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2020

2. SEC Identification Number **A1997-13456** 3. BIR Tax Identification No. **005-029-401-000**

4. Exact name of issuer as specified in its charter - **CONCEPCION INDUSTRIAL CORPORATION**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **308 Sen. Gil Puyat Avenue, Makati City, Philippines** **1209**
Address of principal office Postal Code

8. **+632 7721819**
Issuer's telephone number, including area code

9. ....
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	**407,263,891** (as of June 30, 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 P8.5 billion. The price used for this computation is the closing price as of June 30, 2020 is P20.95.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements of Concepcion Industrial Corporation (the "Company" or "CIC") and its subsidiaries, Concepcion-Carrier Air Conditioning Company ("CCAC"), Concepcion Durables, Inc. ("CDI"), Concepcion-Otis Philippines, Inc. ("COPI"), Concepcion Business Services, Inc. ("CBSI"), Cortex Technologies Corporation ("CTC"), Alstra Incorporated ("Alstra") and Teko Solutions Asia Inc. ("Teko") (collectively, the "Group") for the period ended June 30, 2020 and the comparative period in 2019 is attached to this 17-Q report, comparing the following:

1.1 Unaudited Consolidated Statements of Financial Position as at June 30, 2020 and December 31, 2019 (Annex A)
1.2 Unaudited Consolidated Statements of Total Comprehensive Income for the periods ended June 30, 2020 and 2019 (Annex B)
1.3 Unaudited Consolidated Statements of Changes in Equity for the periods ended June 30, 2020 and 2019 (Annex C)
1.4 Unaudited Consolidated Statements of Cash Flows for the periods ended June 30, 2020 and 2019 (Annex D)
1.5 Notes to Unaudited Consolidated Financial Statements as at June 30, 2020 and December 31, 2019 and for the periods ended June 30, 2020 and 2019 (Annex E)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations [(based on the Unaudited Consolidated Results for the Period Ended June 30, 2020 (Annex F)]

PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the second quarter of 2020:

Date of Report	Items Reported
15 July 2020	We disclose the following information pertaining to the Annual Stockholders Meeting ("Annual Meeting") and Organizational Meeting of the Board of Directors ("Board") of Concepcion Industrial Corporation (the "Company") which was held on July 15, 2020 via remote conferencing due to the COVID-19 pandemic and related government regulations: 1. Annual Meeting (a) The Audited Financial Statements for the fiscal year ended December 31, 2019 contained in the Company's 2019 Annual Report was approved. (b) Election of Directors The following were elected as directors for the year 2020 to 2021: Cesar A. Buenaventura (Independent Director) Alfredo E. Pascual (Independent Director) Raul Joseph A. Concepcion Renna C. Hechanova-Angeles Raissa C. Hechanova-Posadas

Jose Ma. A. Concepcion
Ma. Victoria Herminia A. Concepcion-Young
Raul Anthony A. Concepcion

(c) Isla Lipana & Company was reappointed as the Company's external auditors.

2. Organizational Meeting

The Organizational Meeting of the Board was held immediately after the Annual Meeting. The following actions were approved by the Board during the Organizational Meeting:

(a) Election of Officers

The following were elected as officers of the Company:

Name	Position
Raul Joseph A. Concepcion	Chairman of the Board & President
Renna C. Hechanova-Angeles	Vice Chairman and Treasurer
Rafael C. Hechanova, Jr.	Executive Vice President
Ma. Victoria A. Betita	Chief Finance Officer
Richard D. Parcia	Chief Information Officer
Mary Grace Z. Velasco	Vice President, Investor Relation & Corporate Planning
Omar C. Taccad	Chief Compliance Officer, Vice President for Legal, Governance and Compliance
Jayson L. Fernandez	Corporate Secretary
Roxanne Santos	Assistant Corporate Secretary

(b) Appointment of Mr. Cesar A. Buenaventura as Lead Independent Director.

(c) Appointment of the Chairman and Members of the following Board Committees:

(i) Audit & Risk Oversight Committee

Alfredo E. Pascual – Chairman and Independent Member
Cesar A. Buenaventura – Independent Member
Raissa C. Hechanova-Posadas – Member
Ma. Victoria Hermina A. Concepcion-Young – Member

(ii) Corporate Governance & Nomination Committee

Cesar A. Buenaventura – Chairman and Independent Member
Alfredo E. Pascual – Independent Member
Raul Joseph A. Concepcion – Member
Renna C. Hechanova-Angeles – Member

(iii) Compensation & Remunerations Committee

Cesar A. Buenaventura – Chairman and Independent Member
Alfredo E, Pascual – Independent Member
Jose Ma. A. Concepcion – Member

(iv) Executive Committee

Raul Joseph A. Concepcion – Chairman
Renna C. Hechanova-Angeles – Member

	Raul Anthony A. Concepcion – Member

SIGNATURES

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

MA. VICTORIA A. BETITA

Chief Finance Officer

Date 8/12/2020

ANNEX A

Concepcion Industrial Corporation and Subsidiaries

Unaudited Consolidated Statements of Financial Position
As at June 30, 2020 and December 31, 2019
(All amounts in thousand Philippine Peso)

	Notes	**2020**	**2019**
A S S E T S			
Current assets			
Cash and cash equivalents	2	1,912,506	1,606,096
Trade and other receivables, net	3, 16	3,530,433	4,097,896
Contract assets	4	623,591	989,235
Inventories, net	5	2,155,443	2,332,697
Prepayments and other current assets		110,493	187,935
Total current assets		8,332,466	9,213,859
Non-current assets			
Property and equipment, net	6	664,133	683,010
Right-of-use assets, net	7, 29	593,092	644,355
Investment property	8	40,255	40,255
Investment in associates	9	109,164	119,113
Goodwill	10	802,362	802,362
Intangible assets, net	10	192,990	201,057
Deferred income tax assets, net	11	399,578	366,487
Retirement benefit asset	22	9,548	3,276
Other non-current assets		77,817	64,012
Total non-current assets		2,888,939	2,923,927
Total assets		11,221,405	12,137,786
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other liabilities	12, 16	3,280,704	3,597,688
Short-term borrowings	13	115,000	45,000
Income tax payable		59,674	82,767
Lease liability	7, 29	104,719	198,841
Provision for warranty	14	22,216	22,054
Other provisions	15	26,142	42,358
Total current liabilities		3,608,455	3,988,708
Non-current liabilities			
Lease liability	7, 29	483,805	438,707
Retirement benefit obligation	22	468,318	429,720
Provision for warranty	14	14,129	13,365
Total non-current liabilities		966,252	881,792
Total liabilities		4,574,707	4,870,500
Equity			
Attributable to owners of the Parent Company			
Share capital	23, 27	407,264	407,264
Share premium	23, 27	993,243	993,243
Treasury shares	23, 27	(146,528)	(146,528)
Retained earnings	23, 27, 29	3,745,747	4,063,053
Other comprehensive loss	22	(87,105)	(87,105)
		4,912,621	5,229,927
Non-controlling interest	23, 27, 29	1,734,077	2,037,359
Total equity		6,646,698	7,267,286
Total liabilities and equity		11,221,405	12,137,786

The notes on pages 1 to 47 are integral part of these unaudited consolidated financial statements.

ANNEX B

Concepcion Industrial Corporation and Subsidiaries

Unaudited Consolidated Statements of Total Comprehensive Income
For the periods ended June 30, 2020 and 2019
(All amounts in thousand Philippine Peso, except earnings per share)

		For the six months ended		For the three months ended	
	Notes	**2020**	**2019**	**2020**	**2019**
Net sale of goods	17, 26	3,710,074	6,798,767	1,453,108	3,869,719
Sale of services	17, 26	727,273	970,227	249,387	596,600
Net sales	17, 26	4,437,347	7,768,994	1,702,495	4,466,319
Cost of sales and services	18, 26	(2,927,886)	(4,962,212)	(1,179,217)	(2,871,776)
Gross profit		1,509,461	2,806,782	523,278	1,594,543
Operating expenses	19, 26	(1,416,194)	(1,683,219)	(642,947)	(893,060)
Other operating income, net	20	16,858	29,450	14,429	17,490
Operating income		110,125	1,153,013	(105,240)	718,973
Interest expense	7, 13	(15,363)	(17,298)	(9,277)	(13,132)
Income before share in net income (loss) of associates and income tax		94,762	1,135,715	(114,517)	705,841
Share in net income (loss) of associates	9	(9,949)	12,398	(3,517)	12,070
Income before provision for income tax		84,813	1,148,113	(118,034)	717,911
Provision for income tax	11	(81,469)	(365,321)	(7,489)	(226,086)
Net income for the period	26	3,344	782,792	(125,523)	491,825
Other comprehensive income		-	-	-	-
Total comprehensive income for the period	26	3,344	782,792	(125,523)	491,825
Net income attributable to:					
Owners of the Parent Company	24	(35,054)	486,529	(104,670)	299,860
Non-controlling interest	23	38,398	296,263	(20,853)	191,965
	26	3,344	782,792	(125,523)	491,825
Total comprehensive income attributable to:					
Owners of the Parent Company	24	(35,054)	486,529	(104,670)	299,860
Non-controlling interest	23	38,398	296,263	(20,853)	191,965
	26	3,344	782,792	(125,523)	491,825
Earnings per share – basic and diluted	24	(0.09)	1.20	(0.26)	0.74

The notes on pages 1 to 47 are integral part of these unaudited consolidated financial statements.

ANNEX C

Concepcion Industrial Corporation and Subsidiaries

Unaudited Consolidated Statements of Changes in Equity
For the periods ended June 30, 2020 and 2019
(All amounts in thousand Philippine Peso)

	Attributable to owners of the Parent Company						
	Share capital	**Share premium**	**Treasury Shares**	**Retained earnings**	**Other comprehensive loss**	**Non-controlling interest**	**Total**
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 accounting standards				(5,515)		(1,465)	(6,980)
Balances as at January 1, 2019, as restated	407,264	993,243	(73,759)	3,600,308	(46,341)	1,854,419	6,735,134
Comprehensive income							
Net income for the period	-	-	-	486,529	-	296,263	782,792
Total comprehensive income for the period	-	-	-	486,529	-	296,263	782,792
Transaction with owners							
Cash dividends declared	-	-	-	(486,606)	-	(305,900)	(792,506)
Total transactions with owners	-	-	-	(486,606)	-	(305,900)	(792,506)
Balances as at June 30, 2019	407,264	993,243	(73,759)	3,600,231	(46,341)	1,844,782	6,725,420
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	-	-	-	(35,054)	-	38,398	3,344
Total comprehensive income for the period	-	-	-	(35,054)	-	38,398	3,344
Transaction with owners							
Cash dividends declared	-	-	-	(282,252)	-	(341,680)	(623,932)
Treasury Shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(282,252)	-	(341,680)	(623,932)
Balances as at June 30, 2020	407,264	993,243	(146,528)	3,745,747	(87,105)	1,734,077	6,646,698

The notes on pages 1 to 47 are integral part of these unaudited consolidated financial statements.

ANNEX D

Concepcion Industrial Corporation and Subsidiaries

Unaudited Consolidated Statements of Cash Flows
For the periods ended June 30, 2020 and 2019
(All amounts in thousand Philippine Peso)

	2020	2019
Cash flows from operating activities		
Income before income tax	84,813	1,148,113
Adjustments for:		
Provisions for (reversals of):		
Volume rebates, trade discounts and other incentives	148,139	366,865
Warranty cost	35,173	61,263
Commission	(293)	6,663
Contingencies	17,805	6,648
Impairment of receivables	53,570	(4,303)
Inventory obsolescence	49,337	5,837
Dividend income received	-	-
Amortization of right-of-use assets	114,114	88,371
Depreciation of property and equipment	69,020	57,182
Unrealized foreign exchange losses, net	(10,510)	(13,097)
Retirement benefit expense	30,552	41,984
Amortization of intangible assets	14,334	12,335
Share in net (income) loss of associates	9,949	(12,398)
Interest expense	12,326	17,298
Interest income on bank deposits and short-term placements	(8,092)	(6,536)
Gain on sale in property and equipment	-	(654)
Operating income before working capital changes	620,237	1,775,571
Changes in:		
Trade and other receivables	908,100	(490,589)
Inventories	111,973	46,804
Prepayments and other current assets	(79,555)	(108,074)
Other non-current assets	(30,350)	(85,885)
Trade payables and other liabilities	(492,788)	260,876
Cash generated from operations	1,037,617	1,398,703
Income tax paid	(138,935)	(210,262)
Payment of provision for warranty cost	(34,246)	(50,994)
Payment of other provisions	(33,727)	(20,946)
Retirement benefits paid/contributions	(1,385)	(2,530)
Interest received on bank deposits	648	604
Net cash provided by (used in) operating activities	829,972	1,114,575
Cash flows from investing activities		
Additions to property and equipment	(50,142)	(158,597)
Additions to intangibles		5,682
Interest received from short-term placements	7,444	(3,827)
Acquisition of investment property	-	(1,188)
Proceeds from disposal of property and equipment	-	733
Net cash used in investing activities	(42,698)	(157,197)
Cash flows from financing activities		
Cash distribution of profits	(423,919)	(530,806)
Payments of principal portion of lease liability	(111,284)	(84,289)
Proceeds from short-term borrowings	70,000	70,000
Interest on lease liability	(12,629)	(10,912)
Interest paid on short-term borrowings	(2,663)	(6,386)
Payment of short-term borrowings	-	(425,000)
Net cash used in financing activities	(480,495)	(987,393)
Net decrease in cash and cash equivalents	306,779	(30,015)
Cash and cash equivalents at beginning of period	1,606,096	1,325,419
Effects of foreign exchange rate changes on cash and cash equivalents	(369)	(53)
Cash and cash equivalents at end of the period	1,912,506	1,295,351

The notes on pages 1 to 47 are integral part of these unaudited consolidated financial statements.

ANNEX E

Concepcion Industrial Corporation and Subsidiaries

Notes to the Unaudited Consolidated Financial Statements
As at June 30, 2020 and December 31, 2019 and for
the periods ended June 31, 2020 and 2019
(All amounts in thousand Philippine Peso, except number of shares,
per share amounts and unless otherwise stated)

Note 1 - General information

1.1 Registration and business

Concepcion Industrial Corporation (the Parent Company or CIC), formerly Concepcion Airconditioning Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997. [Refer to Annex F for the details of the business of the Parent Company, its subsidiaries and associates.]

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

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

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

1.2 Significant business developments

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

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

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

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

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

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

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

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

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

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

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at June 30, 2020 and December 31, 2019 consist of:

	2020	2019
Cash on hand	65	65
Cash in banks	1,286,909	720,627
Short-term placements	625,532	885,404
	1,912,506	1,606,096

Cash in banks and short-term placements are made with universal banks and commercial banks amounting to P1,428,113 and P484,328, respectively (2019 - P788,095 and P817,936, respectively), which earn interest at the prevailing bank deposit rates.

Short-term placements are made for varying periods of up to five (5) months, depending on the immediate cash requirements of the Group, and earn interest at rates ranging from 0.30% to 3%.

The carrying values of cash and cash equivalents represent the maximum exposure to credit risk other than cash on hand.

Note 3 - Trade and other receivables, net

Trade and other receivables as at June 30, 2020 and December 31, 2019 consist of:

	2020	2019
Trade receivables		
Third Parties	3,730,696	4,237,573
Related parties	3,251	2,558
Provision for volume rebates, trade discounts and other incentives	(285,392)	(308,965)
Provision for impairment of receivables	(148,866)	(95,316)
Net trade receivables	3,299,689	3,835,850
Advances to employees	31,465	32,948
Rental deposit	4,374	4,324
Related parties	39,724	75,442
Claims from suppliers	15,635	43,114
Others	139,546	106,218
	3,530,433	4,097,896

The aging of trade receivables as at June 30, 2020 and December 31, 2019, including data on past due but not impaired and impaired accounts are as follows:

Age classification	Total	Current and not past due	Past due but not impaired	Impaired
2020				
Current	1,834,466	1,834,466	-	-
Past due:	-	-	-	-
Up to 6 months	1,539,774	-	1,539,774	-
6 to 12 months	248,561	-	210,521	38,040
Over 12 months	111,146	-	320	110,826
	3,733,947	1,834,466	1,750,615	148,866
2019				
Current	2,341,798	2,341,798	-	-
Past due:				
Up to 6 months	1,245,802	-	1,245,802	-
6 to 12 months	572,742	-	572,742	-
Over 12 months	79,789	-	-	79,789
	4,240,131	2,341,798	1,818,544	79,789

As at June 30, 2020, trade receivables amounting to P148,866 (December 31, 2019 – P79,789) were determined to be impaired and fully provided through a valuation account based on company credit policy.

As at June 30, 2020, trade receivables amounting to P1,750,615 (December 31, 2019 – P1,818,544) were past due but considered not impaired. Most of these receivables relate to a number of independent customers for whom the collection is highly probable based on cumulative experience or history of payments.

As at June 30, 2020, trade receivables that are neither past due nor impaired amounting to P1,834,466 (December 31, 2019 – P2,341,798) are current based on aging and normally pertain to customers who have high credit rating based on determined financial position and collection history.

Provisions

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

The provision for impairment of receivable currently being reported is regularly assessed and compared with the provision calculated following the ECL model. Any material difference will be recognized as an adjustment accordingly.

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

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

Note 4 - Contract assets

As at June 30, 2020, contract assets pertain to value of percentage of completion contracts amounting to P1,710,984 less loss provision amounting to P504 and contract billings amounting to P1,086,889. The increase in the value of contract assets in the current period was driven by equipment installation projects as compared to prior period.

Note 5 - Inventories, net

Inventories as at June 30, 2020 and December 31, 2019 consist of:

	2020	2019
At cost		
Raw materials	1,154,235	1,008,372
Finished goods	899,603	1,210,302
Work in process	49,462	3,620
Inventories-in-transit	59,182	68,674
Spare-parts and supplies used in business	97,924	97,360
	2,260,406	2,388,328
Provision for inventory obsolescence	(104,963)	(55,631)
	2,155,443	2,332,697

For the periods ended June 30, 2020 and 2019, the cost of inventory recognized as expense and included in cost of sales and services (Note 18) amounted to P2,678,646 (2019 – P4,648,921).

Note 6 - Property and equipment, net

As at June 30, 2020, net additions to property and equipment amounted to P50,142 consisting of machineries and equipment, office equipment, and leasehold improvements (December 31, 2019 – P229,474). For the period ended June 30, 2020, net depreciation and amortization amounted to P69,019 (2019 – P26,853).

As at June 30, 2020 total cost of fully depreciated property and equipment of the Group amounted to P1,103,898 (December 31, 2019 – P1,126,620).

Note 7 – Right-of-use (ROU) assets

ROU assets are composed of office, warehouse, vehicle and other leased assets. As at June 30, 2020, total cost and accumulated amortization of ROU assets amounted to P1,040,015 and P446,923, respectively. For the period ended June 30, 2020, total amortization expense charged to cost of sales and services (Note 18) and operating expenses (Note 19) amounted to P21,399 and P92,896, respectively.

As at June 30, 2020, total lease liabilities amounted to P588,524, while for period ended June 30, 2019, total interest expense charged to finance cost amounted to P12,629.

Note 8 - Investment property

As at June 30, 2020 and December 31, 2019, the Parent Company's investment property consists of parcel of land that it acquired in Davao City, which is held for capital appreciation and/or future expansion.

As at June 30, 2020, there were no payments made by the Parent Company to a sub-contractor for direct costs related to planned construction of the investment property booked as construction in progress (CIP) under the investment property account (2019 - P1,188).

The estimated fair value approximates the carrying value of the investment property as at June 30, 2020 and December 31, 2019, based on the last known selling price per square meter.

There was no income earned related to the property for the periods ended June 30, 2020 and 2019. Further, P54 direct operating expense for the investment property was incurred for the period ended June 30, 2020 (2019 – P68).

Note 9 - Investments in associates

The Parent Company has a subscription agreement with Concepcion Midea, Inc. (CMI), whereby the former subscribes from the increase in the authorized share capital of the latter. CMI is a Philippine entity engaged in the business of the manufacture, sale, distribution, marketing, installation and service of electronic appliance products. As at June 30, 2020 and December 31, 2019, the Parent Company and CCAC had a total of 110 million and 150 million shares equivalent to 22% and 30% interests in CMI, respectively, making up for the Group's 40% effective interest. CMI was classified as an associate (Note 16).

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

Details of the movement in investment in associates for the period ended June 30, 2020 and for the year ended December 31, 2019 follow:

	2020	2019
At cost, beginning	266,125	260,000
Addition	-	6,125
At cost, ending	266,125	266,125
Cumulative share in total comprehensive loss, beginning	(147,012)	(178,891)
Share in net income (loss)	(9,949)	30,638
Share in other comprehensive loss for the period	-	571
Direct charges to OCI attributable to NCI	-	670
Cumulative share in total comprehensive loss, ending	(156,961)	(147,012)
	109,164	119,113

Note 10 - Goodwill and intangible assets, net

10.1 Goodwill

Goodwill is the excess of consideration over proportionate share in fair value of net assets which resulted from the Parent Company's acquisition of COPI in 2014. The Group applied the proportionate interest approach to account for the business combination. The goodwill of P783,983 arising from the acquisition is attributable to an established brand and customer and product base.

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

Impairment test for goodwill

Discounted cash flow (DCF) was used as base for estimating the fair market value of COPI as of December 31, 2019. The Group did not recognize impairment loss for the year ended December 31, 2019 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU).

10.2 Intangible assets, net

Details and movements of intangible assets account as at June 30, 2020 and December 31, 2019 are shown below:

	Customer relationship	Customer backlogs	Computer Software	Total
Cost				
At January 1, 2020	187,113	13,883	94,467	295,463
Additions	-	-	6,267	6,267
At June 30, 2020	187,113	13,883	100,734	301,730
Accumulated amortization				
At January 1, 2020	45,940	13,883	34,583	94,406
Amortization	3,742	-	10,591	14,333
At June 30, 2020	49,682	13,883	45,175	108,740
Net book values as at June 30, 2020	137,431	-	55,559	192,990
Cost				
At January 1, 2019	187,113	13,883	82,766	283,762
Additions	-	-	11,701	11,701
At December 31, 2019	187,113	13,883	94,467	295,463
Accumulated amortization				
At January 1, 2019	38,456	13,883	15,037	67,376
Amortization	7,484	-	19,546	27,030
At December 31, 2019	45,940	13,883	34,583	94,406
Net book values as at December 31, 2019	141,173	-	59,884	201,057

Note 11 - Deferred income tax assets, net

Deferred income tax assets to be recovered within 12 months amounting to P355,989 which include among others temporary differences from provision for volume rebates, trade discounts and other incentives, accrued employee-related costs, and provision for impairment of receivables. Net deferred income tax assets to be recovered after 12 months amounting to P86,655 include temporary differences related to retirement benefits. On another hand, deferred income tax liabilities amounting to P43,066 are mostly to be settled after 12 months and mostly pertaining to intangible assets.

Details of provision for income tax for the periods ended June 30 follow:

	2020	2019
Current	94,044	420,492
Deferred	(12,575)	(55,171)
	81,469	365,321

Note 12 - Trade payables and other liabilities

Trade payables and other liabilities as at June 30, 2020 and December 31, 2019 consists of:

	2020	2019
Trade payables		
Third parties	628,625	1,013,178
Related parties	455,047	318,043
	1,083,672	1,331,221
Accrued expenses		
Project costs	473,307	541,791
Benefits of directors, officers and employees	169,905	339,606
Outside services	164,776	151,692
Advertising and promotion	32,980	32,231
Installation and cleaning costs	59,108	42,669
Freight	42,499	69,629
Importation costs	50,720	37,392
Professional fees	33,298	14,894
Rental and utilities	60,788	29,961
Commission	4,594	41,737
Transportation and travel	8,806	1,457
Repairs and maintenance	9,160	1,907
Others	47,380	78,981
	1,157,322	1,383,947
Other liabilities		
Related parties	216,581	20,102
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	307,950	173,282
Advances on sales contract	200,264	286,742
Output value-added tax (VAT), net of input VAT	144,337	45,208
Withholding taxes and other mandatory government remittances	42,206	141,354
Other payables	128,373	215,832
	1,039,711	882,520
	3,280,704	3,597,688

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

As at June 30, 2020, billings in excess of costs incurred and estimated earnings on uncompleted contracts represent the excess of contract billings of elevators/escalators related projects amounting to P1,349,467 (December 31, 2019 – P690,876) over the cumulative costs incurred and margin amounting to P1,041,517 and P307,950 (December 31, 2019 – P517,594 and P173,282), respectively.

Note 13 - Short-term borrowings

Movements of short-term borrowings as at June 30, 2020 and December 31, 2019 are as follows:

	2020	2019
Beginning	45,000	425,000
Availments	70,000	115,000
Settlement	-	(495,000)
Ending	115,000	45,000

In 2019, CTC availed an unsecured interest-bearing bank loan amounting to P45 million at an interest rate of 5.875%.

In 2020, CTC availed an unsecured interest-bearing bank loan amounting to P70 million at interest rates ranging from 5.53% to 5.75%.

Interest expenses on borrowings charged to operations for the periods ended June 30, 2020 and 2020 amounted to P2,734 (2019 - 6,386).

Note 14 - Provision for warranty

For the period ended June 30, 2020 and 2019, provisions for warranty costs were recognized as part of cost of services (Note 18) and operating expenses (Note 19) amounting to P301 and P34,872 respectively (2019 – P1,144 and P60,119).

Note 15 - Other provisions

Details of other provisions as at June 30, 2020 and December 31, 2019 consist of:

	2020	2019
Contingencies	14,855	12,307
Commission	11,287	30,051
	26,142	42,358

Movements in provision for contingencies follow:

	2020	2019
Beginning	12,307	16,100
Provisions	17,804	4,844
Payments	(15,256)	(8,637)
Ending	14,855	12,307

Movements in provision for commission follow:

	2020	2019
Beginning	30,051	31,457
Provisions	(293)	44,873
Payments	(18,471)	(46,279)
Ending	11,287	30,051

Provision for commission was recorded under personnel cost in operating expenses.

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

Note 16 - Related party transactions

In the normal course of business, the Group transacts with related parties. The following are the balances and significant transactions with related parties as of and for the period ended June 30, 2020 and for the year ended December 31, 2019.

	2020		2019		
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Terms and conditions
Shareholders					
Rent and utilities	31,845	(3,988)	52,292	(3)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Lease of warehouse	25,233	-	53,364	-	
Dividend declaration	-	-	486,606	-	Refer to Note 23.
Advances from shareholders	-	(1,157)	-	(1,157)	Refers to the contingency fund of shareholders being reduced by actual PDTC charges being paid by the Parent Company on their behalf.
Associate					
Administrative services	4,088	7,519	19,115	1,593	Outstanding receivables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Transfer of employees	-	(8,447)	706	(8,578)	Future retirement benefits due to the employee transferred up to date of transfer will be paid by the former employer. The balance is payable in cash, non-interest bearing and unsecured in nature.
Transfer of employees	-	149	1	1,781	
Purchase of goods, net of return	15,025	(50)	223	(20)	Outstanding payables are due within 30 to 90 days from transaction date. These are payable in cash, non-interest bearing and unsecured in nature. These receivables are unsecured and non-interest bearing.
Sale of goods	37	3,120	232	2,558	The outstanding receivables (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale.
Advances to associate	41,376	32,117	83,039	44,647	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Advances from associate	1,163	(324)	2,653	(210)	
Entities under common control					
Rent and utilities	-	-	34,372	1	Receivables are collectible in cash within 30 to 60 days from billing date. These receivables are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Entities with common shareholders					
Sale of goods	-	70	24	-	The outstanding balance (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale.
Commission income			32,895	27,419	Receivables are collectible in cash within 30 to 60 days from billing date. These receivables are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Dividend declaration	341,680	(200,014)	895,560	-	Refer to Note 23.
Purchases, net purchase returns	616,524	(441,582)	2,511,901	(318,022)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured (Note 12).
Collections (Payments) in behalf of a related party	-	-	54,260	(2,105)	

	2020		2019		
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Terms and conditions
Royalty/Technical fee	20,585	(16,066)	56,160	(8,049)	Payable in cash within 60 days unsecured and bears no interest. Refer to Note 18 to 19.
Key management personnel					
Directors fees	-	-	3,943	(3,943)	
Salaries and wages	185,049	(9,488)	459,369	(105,307)	
Retirement benefit	4,928	(80,243)	13,462	(61,662)	Refer to Note 22.

There were no provisions recognized in relation to receivables from related parties. Balances due are settled/collected at gross.

Note 17 - Net sales and services

Details of net sales and services for the periods ended June 30 are as follows:

	2020	2019
Gross sales		
Sale of goods	4,176,129	7,595,576
Sale of services	727,273	970,227
	4,903,402	8,565,803
Deductions		
Trade and volume discounts	(261,239)	(616,145)
Sales returns	(204,816)	(180,664)
	(466,055)	(796,809)
Net sales and services	4,437,347	7,768,994

Note 18 - Cost of sales and services

Details of cost of sales and services for the periods ended June 30 are as follows:

	2020	2019
Raw materials used	1,489,051	3,011,890
Labor	63,398	111,389
Overhead	291,061	330,671
Total manufacturing cost	1,843,510	3,453,950
Work-in-process, beginning	3,620	50,484
Work-in-process, ending	(49,462)	(39,954)
Cost of goods manufactured	1,797,668	3,464,480
Finished goods inventory, beginning	1,210,302	1,168,691
Gross purchases - trading	570,279	1,283,842
Finished goods available for sale	3,578,249	5,917,013
Finished goods inventory, ending	(899,603)	(1,268,092)
Total cost of sales	2,678,646	4,648,921
Cost of services	249,240	313,291
	2,927,886	4,962,212

Details of overhead for the periods ended June 30 are as follows:

	2020	2019
Indirect labor	130,636	128,281
Depreciation of property and equipment	38,052	33,545
Outside services and professional fees	29,582	34,178
Taxes and licenses	28,128	22,247
Rent and utilities	22,714	44,548
Amortization of ROU assets	17,663	5,100
Repairs and maintenance	16,480	30,932
Insurance	3,259	2,857
Travel and transportation	4,905	6,355
Inbound storage	2,550	9,305
Amortization of intangible assets	991	991
Others	(3,899)	12,332
	291,061	330,671

Details of cost of services for the periods ended June 30 are as follows:

	2020	2019
Materials and labor	163,643	232,810
Employee costs	51,605	50,425
Royalty/technical fees	14,888	12,574
Rent and utilities	4,941	3,677
Amortization of ROU assets	3,736	3,873
Outside services	3,084	1,638
Taxes and licenses	2,226	1,732
Depreciation of property and equipment	2,065	2,390
Transportation and travel	1,256	1,664
Insurance	482	207
Supplies	211	467
Repairs and maintenance	112	108
Others	991	1,726
	249,240	313,291

Note 19 - Operating expenses

Details of operating expenses for the periods ended June 30 are as follows:

	2020	2019
Employee costs	554,831	666,060
Outside services and professional fees	257,629	364,198
Outbound freight	118,321	185,811
Amortization expense of ROU assets	92,896	79,398
Provision for impairment of receivables	53,570	(4,303)
Provision for inventory obsolescence	49,337	5,837
Rent and utilities	45,847	54,736
Advertising and promotion	37,258	88,949
Warranty cost	34,872	60,119
Depreciation of property and equipment	28,901	21,247
Taxes and licenses	21,622	30,784
Transportation and travel	15,629	27,760
Amortization of intangible assets	13,343	11,344
Royalty/technical fees	10,809	22,569
Insurance	3,555	2,843
Repairs and maintenance	3,439	6,484
Supplies	2,907	5,753
Registration	1,233	1,787
Others	70,195	51,843
	1,416,194	1,683,219

Note 20 - Other operating income, net

Details of net operating income, net for the periods ended June 30 are as follows:

	2020	2019
Interest income	8,092	6,536
Loss on foreign exchange forward contracts	(6,134)	(11,869)
Foreign exchange gains, net	4,284	28,549
Commission income	(1,670)	4,333
Gain on disposal of property and equipment	-	654
Miscellaneous	12,287	1,247
	16,858	29,450

Note 21 - Leases and other agreements

21.1 Leases

21.1.1 CCAC has a three-year lease agreement with Concepcion Industries, Inc., an entity under common control to CCAC, expiring on December 31, 2018 for the lease of its factory located in the Light Industry Science Park, Cabuyao, Laguna to the Partnership. Subject to further renewal or extension on the same terms and conditions as may be agreed upon by the parties. The lease was renewed for another three years up to December 31, 2021.

21.1.2 CCAC has a three-year lease contract from January 1, 2017 to December 31, 2019 with LSL Realty Development Corporation, for the lease of warehouse space located in the Light Industry Science Park, Cabuyao Laguna, subject to negotiation upon renewal. The lease was renewed for another three years up to December 31, 2022.

21.1.3 CCAC leases an office space in Muntinlupa City and a warehouse space in Cabuyao owned by Foresight Realty and Development Corporation, an entity under common control to CCAC. The contracts are renewable upon mutual agreement of the parties which will expire in August 2022.

21.1.4 CCAC, CBSI and CMIP leases an office space and parking space, respectively, in Muntinlupa City from Foresight Realty & Development Corp., a shareholder, for a period of two (2) years and 7 months from January 2019 to July 2022. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.

21.1.5 CDI leases warehouse space in Cabuyao from Hyland Realty & Dev’t. Corp., an entity under common control, for a period of five (5) years commencing on November 3, 2016 and ending on November 2, 2021, subject to renewal or extension on such terms and conditions as may be agreed upon by the parties.

21.1.6 Both CCAC and CDI have agreements with various lessors covering office space for its regional offices. Such agreements have terms ranging from one (1) to five (5) years under terms and conditions as agreed with the lessors.

21.1.7 COPI has various lease agreements covering offices, warehouses and vehicles under non-cancellable operating leases expiring within 3 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

21.2 Trademark and other agreements

21.2.1 *Kelvinator Trademark*

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

Royalty/technical fees for the above agreements charged to operating expenses for the period ended June 30, 2020 amounted to P3,680 (2019 - P7,977) (Note 19).

21.2.2 *Royalty/Technical Service Agreement with Carrier Corporation*

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

Royalty/technical fees for the above agreements charged to operating expenses for the period ended June 30, 2020 amounted to P7,129 (2019 – P14,592) (Note 19).

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

COPI has existing Technical Assistance Agreements and License to Use Technical Data, Know-how and Patents Agreement effective September 15, 2003 with Otis U.S.A., a related party, for the latter to provide technical data and know-how to improve the technical knowledge of COPI's personnel and to further impart and transfer technical data and provide technical service to COPI. In consideration thereof, COPI is required to pay, in addition to the costs incurred by Otis U.S.A. in providing the training, a royalty fee equivalent to 3.5% of the net billings of COPI.

COPI also has a Trademark and Trade Name License Agreement effective September 15, 2003 with Otis U.S.A. which grants the Company a non-exclusive right and license to market and sell Otis products and to perform service under the licensed marks. As partial consideration of the rights and licenses granted, COPI shall pay Otis U.S.A. a royalty fee as provided in the Technical Assistance Agreement mentioned above. The agreement remains effective unless terminated by both parties.

Technical fees for the above agreements charged to cost of services for the period ended June 30, 2020 amounted to P14,888 (2019 – P12,574) (Note 18).

21.2.4 Assignment Agreement with OECPI

COPI has an outstanding payable to OECPI as at June 30, 2020 and December 31, 2019 amounting to P4,331 which is included under payable to related parties under trade payables and other liabilities (Notes 12 and 16). The payable resulted from transactions subsequent to an Assignment Agreement executed by and between OECPI, as the assignor, and COPI, as the assignee, for the conveyance, transfer assignment and delivery of all the OECPI's assets, liabilities and contracts to COPI as set out in the agreement.

Note 22 - Retirement plan

22.1 CIC

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

22.2 CCAC

CCAC has an established funded, trusteed 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 trusteed; that there must be no discrimination in benefits that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or divided to, any purpose other than for the exclusive benefit of the Plan members. CCAC is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the CCAC's discretion.

22.3 CDI; Alstra; Teko

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

22.4 COPI

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

22.5 CBSI

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

22.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to one hundred twenty-five percent (125%) of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. The retirement obligation of each entity in the Group is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2019.

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

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

CCAC and COPI have not yet determined its contribution to the plan assets for the year ending December 31, 2019.

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

Note 23 - Equity

23.1 Share capital

As at June 30, 2020 and December 31, 2019, the Parent Company's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per share.

The details and movement of share capital as at and for the period ended June 30, 2020 and the year ended December 31, 2019 follow:

	No. of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2019	405,505,191	407,264	993,243	(73,759)
Acquisition of treasury shares	(2,287,100)	-	-	(72,769)
December 31, 2019	403,218,091	407,264	993,243	(146,528)
Acquisition of treasury shares	-	-	-	-
June 30, 2020	403,218,091	407,264	993,243	(146,528)

23.2 Retained earnings

Cash dividends declared for the period ended June 30, 2020 and for the year ended December 31, 2019 are as follows:

Date declared	Dates paid	Per share	2020	2019
May 22, 2020	June 17, 2020	0.70	282,252	-
April 3, 2019	May 16, 2019	1.20	-	486,606
			282,252	486,606

On May 13, 2020, the Parent Company's BOD declared cash dividends in the amount of P0.70 per share for shareholders of record as at May 27, 2020. Total cash dividends paid on June 17, 2020 amounted to P282,253.

On April 3, 2019, the Parent Company's BOD declared cash dividends in the amount of P1.20 per share for shareholders of record as at April 23, 2019. Total cash dividends paid on May 16, 2019 amounted to P486,606.

For the period ended June 30, 2020, non-controlling interest (NCI) from profit distribution of CCAC and COPI amounted to P512,520 and nil, respectively (2019 - P876,060 and P19,500, respectively).

23.3 Treasury shares

On February 17, 2016, the Parent Company's BOD approved a non-solicitation share buyback program to be carried out until February 16, 2019. On September 9, 2019, the Parent Company's BOD approved a 3-year share buyback program commencing on September 10, 2019 and concluding on September 9, 2022.

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

Buyback of shares paid for since 2016 are as follows:

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

Trade Date	Date Paid	Shares	Per share	Absolute amount in Peso
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
		4,045,800		146,528

Note 24 - Earnings per share

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

Total issued ordinary shares for the period has been adjusted for impact of stock split and stock dividends, if any.

Earnings per share for the periods ended June 30 is calculated as follows:

	2020	2019
Net income attributable to owners of the Parent Company	(35,054)	486,529
Weighted average common shares - basic and diluted (in ‘000)	403,218	405,505
Basic and diluted earnings per share	(0.09)	1.20

Note 25 - Contingencies

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

Note 26 - Segment information

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

26.1 Profit or loss

26.1.1 CLS

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

26.1.2 Alstra

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

26.2 Assets, liabilities and other accounts

26.2.1 CCAC

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

26.2.2 CDI

CDI is engaged in the sale and manufacture of refrigerators and freezers for domestic market.

26.2.3 COPI

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

Segment information on reported consolidated profit or loss for the six months period ended June 30 is as follows:

	CLS	Alstra	Others	Total
2020				
Net sales and services	3,328,876	1,097,608	10,863	4,437,347
Timing of revenue recognition				
At point in time	3,328,876	-	10,863	3,339,739
Over time	-	1,097,608	-	1,097,608
Cost of sales and services	(2,202,325)	(721,158)	(4,403)	(2,927,886)
Gross profit	1,126,551	376,450	6,460	1,509,461
Depreciation and amortization	(41,751)	(9,032)	(18,235)	(69,018)
Amortization of ROU	(79,767)	(26,400)	(8,128)	(114,295)
Operating expenses	(842,034)	(260,000)	(314,160)	(1,416,194)
Interest expense	(3,904)	(1,654)	(9,805)	(15,363)
Interest income	3,183	4,194	715	8,092
Share in net income (loss) of associates	(6,323)	-	(3,626)	(9,949)
Provision for income tax	(135,267)	(53,884)	107,682	(81,469)
Profit or (loss)	134,600	81,093	(212,349)	3,344

	CLS	Alstra	Others	Total
2019				
Net sales and services	6,212,064	1,547,100	9,830	7,768,994
Timing of revenue recognition				
At point in time	6,212,064	-	9,830	6,221,894
Over time	-	1,547,100	-	1,547,100
Cost of sales and services	(3,968,677)	(986,413)	(7,122)	(4,962,212)
Gross profit	2,243,387	560,687	2,708	2,806,782
Depreciation and amortization	(34,705)	(10,504)	(11,973)	(57,182)
Operating expenses	(1,111,514)	(241,912)	(329,793)	(1,683,219)
Interest expense	(8,444)	(4,817)	(4,037)	(17,298)
Interest income	532	3,613	2,391	6,536
Share in net income (loss) of an associate	7,439	-	4,959	12,398
Provision for income tax	(326,846)	(99,205)	60,730	(365,321)
Profit or (loss)	756,691	226,672	(200,571)	782,792

Segment information on reported consolidated profit or loss for the three months period ended June 30 is as follows:

	CLS	Alstra	Others	Total
2020				
Net sales and services	1,256,284	440,605	5,604	1,702,495
Timing of revenue recognition				
At point in time	1,256,284	-	5,604	1,261,889
Over time	-	440,605	-	440,605
Cost of sales and services	(886,423)	(290,720)	(2,075)	(1,179,217)
Gross profit	369,862	149,886	3,530	523,278
Depreciation and amortization	(21,046)	(4,498)	(8,602)	(34,147)
Amortization of ROU	(39,855)	(14,774)	(4,021)	(58,651)
Operating expenses	(360,735)	(151,210)	(131,002)	(642,947)
Interest expense	(2,148)	(814)	(6,315)	(9,277)
Interest income	1,337	1,082	325	2,744
Share in net income of associates	(2,367)	-	(1,150)	(3,517)
Provision for income tax	(55,847)	(16,182)	64,540	(7,489)
Profit or (loss)	(56,481)	(39,657)	(29,385)	(125,523)

	CLS	Alstra	Others	Total
2019				
Net sales and services	3,680,963	780,030	5,326	4,466,319
Timing of revenue recognition				
At point in time	3,680,963	-	5,326	3,686,289
Over time	-	780,030	-	780,030
Cost of sales and services	(2,386,815)	(481,543)	(3,418)	(2,871,776)
Gross profit	1,294,148	298,487	1,908	1,594,543
Depreciation and amortization	(18,046)	(5,837)	(6,464)	(30,347)
Operating expenses	(587,541)	(130,481)	(175,038)	(893,060)
Interest expense	(8,320)	(4,817)	5	(13,132)
Interest income	273	1,508	556	2,337
Share in net loss of an associate	7,242	-	4,828	12,070
Provision for income tax	(194,829)	(53,501)	22,144	(226,086)
Profit or (loss)	449,215	119,551	(76,941)	491,825

The balances presented in “Others” are mainly from cost related to emerging technology initiatives, corporate costs, shared services and eliminating entries recognized in the preparation of the consolidated financial statements.

Segment information on consolidated assets and liabilities as at June 30, 2020 and December 31, 2019 are as follows:

	CCAC	CDI	COPI	Others	Total
2020					
Current assets	5,199,690	1,743,959	1,000,056	388,761	8,332,466
Non-current assets	1,024,181	372,942	96,203	1,395,613	2,888,939
Current liabilities	2,283,105	398,124	601,011	326,215	3,608,455
Non-current liabilities	676,891	103,738	61,243	124,380	966,252
Other Information					
Investment in associates	60,708	-	-	48,456	109,164
Additions to non-current assets					
Property and equipment	31,536	5,600	579	11,974	49,689
Investment property	-	-	-	-	-
Intangible assets	-	-	-	3,832	3,832
2019					
Current assets	5,702,961	2,356,388	749,041	405,469	9,213,859
Non-current assets	1,019,588	405,109	96,934	1,402,296	2,923,927
Current liabilities	2,468,188	836,915	390,976	292,629	3,988,708
Non-current liabilities	615,332	96,237	42,095	128,128	881,792
Other Information					
Investment in associates	65,937	-	-	53,176	119,113
Additions to non-current assets					
Property and equipment	84,919	56,631	5,730	104,084	251,364
Investment property	-	-	-	1,188	1,188
Intangible assets	-	-	-	11,701	11,701

The balances presented in “Others” are mainly related to corporate and back-office support legal entities of the Group, the investment in associates and eliminating entries recognized in the preparation of the consolidated financial statements.

Note 27 - Financial risk and capital management

27.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance.
Risk management is carried out by the Group’s Executive Committee and Leadership together with the Group’s Chief Finance Officer under policies approved by the Group’s BOD. These policies provide written principles for overall risk management. There were no changes in policies and processes in the Group’s financial risk management in 2019 and 2018.

27.1.1 Market risk

(a) Foreign exchange risk

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

However, the foreign exchange risk exposure is brought down to an acceptable level since average trade payment terms approximate each other, which range between 30 and 60 days upon which the risk associated with foreign exchange rates are deemed negligible. The Group enters into foreign exchange forward contracts with average term of a month in order to reduce losses on possible significant fluctuations in the exchange rates.

(b) *Commodity price risk*

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

Cash flow and fair value interest rate risk

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

27.1.2 Credit risk

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

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

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

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

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

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

27.1.3 Liquidity risk

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

As at June 30, 2020 and December 31, 2019, the Group has available letters of credit and loan credit facilities from various financial institutions as follows:

	2020		2019	
Type of credit facility	Currency	Amount	Currency	Amount
Bank of Philippine Islands				
Revolving promissory note line	Philippine Peso	2,000,000	Philippine Peso	2,000,000
Lease line	Philippine Peso	150,000	Philippine Peso	150,000
Short-term loan line	Philippine Peso	-	Philippine Peso	-
Import letters of credit and trust receipt line	Philippine Peso	-	Philippine Peso	-
Bills purchased line	Philippine Peso	100,000	Philippine Peso	100,000
Corporate card guarantee	Philippine Peso	-	Philippine Peso	-
Foreign exchange settlement line	U.S. Dollar	3,000	U.S. Dollar	3,000
Citibank				
Bills purchased line	Philippine Peso	45,000	Philippine Peso	45,000
Letters of credit	U.S. Dollar	7,800	U.S. Dollar	5,200
Foreign exchange settlement risk line	U.S. Dollar	1,000	U.S. Dollar	1,000
Foreign exchange pre-settlement risk line	U.S. Dollar	200	U.S. Dollar	200
Short-term loan line	U.S. Dollar	8,080	U.S. Dollar	8,080
Commercial cards	U.S. Dollar	510	U.S. Dollar	510
Banco De Oro				
Short-term loan line	Philippine Peso	500,000	Philippine Peso	500,000
Bills Purchased line	Philippine Peso	50,000	Philippine Peso	50,000
Foreign exchange settlement line	Philippine Peso	20,000	Philippine Peso	20,000

Trade and other payables, and amounts due to related parties are unsecured, non-interest bearing and are normally settled within 30 to 60 days from transaction date. As at June 30, 2020 and December 31, 2019, all of the Group's financial liabilities are due and demandable within 12 months. The Group expects to settle these obligations in accordance with their respective maturity dates. These balances equal their carrying amounts as the impact of discounting is not significant. Based on management's assessment, the Group has sufficient level of readily available funds, which do not yet consider expected receipts from collection of current trade receivables, to settle maturing obligations as they fall due.

27.2 Capital management

The Group's objectives when managing capital, which is equivalent to the total equity shown in the consolidated statements of financial position, less charges to other comprehensive loss, are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital which will reduce the need to obtain long-term borrowings and incur higher cost of capital such as interest expense. There were no changes in policies and processes in the Group's capital management in 2020 and 2019.

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

	2020	**2019**
Share capital	407,264	407,264
Share premium	993,243	993,243
Treasury shares	(146,528)	(146,528)
Retained earnings	3,745,747	4,063,053
	4,999,726	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 June 30, 2020 and December 31, 2019.

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

27.3 Fair value estimation of financial assets and liabilities

The Group's foreign exchange forward contracts, which are measured at fair value, qualify under Level 2. Accordingly, the fair values of these financial liabilities are based on published closing rate with any resulting value no longer subject to discounting due to the relative short-term maturity of these instruments. The Group does not account these contracts under hedge accounting; and accordingly recognizes fluctuations in fair value directly to profit or loss. As at June 30, 2020 and December 31, 2019, the Group has no other financial assets or liabilities measured and carried at fair value that would qualify as either Level 1 or 3.

Note 28 - Critical accounting estimates, assumptions and judgments

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

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

28.1 Critical accounting estimates and assumptions

28.1.1 Useful lives of property and equipment

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

28.1.2 Provision for warranty cost

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

28.1.3 Provision for retirement benefits

The determination of each subsidiary's retirement obligation and benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. These assumptions, as described in Note 22, include among others, discount rate and salary increase rate.

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

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

28.1.4 Provision for volume rebates, trade discounts and other incentives

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

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

28.1.5 Provision for contingencies

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

28.1.6 Percentage of completion on installation contracts

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

28.2 Critical judgments in applying the Group's accounting policies

28.2.1 Impairment of goodwill

The Group reviews the goodwill annually for impairment and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, and at the end of the first full year following acquisition (Note 10). Goodwill is monitored by management at COPI's business level (lowest level of CGU identified) following its acquisition by Parent Company.

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

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

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

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

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

28.2.2 Impairment of intangibles - customer relationships and customer contract backlogs

The Group's intangibles are composed of customer relationships and customer contract backlogs from acquisition of COPI (Note 10). The intangibles are carried at cost. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In calculating the fair value of customer relationships and customer contract backlogs, the Group used the same revenue growth and discount rate in calculating the value in use of COPI. Changes in those judgments could have a significant effect on the carrying value of intangible assets and the amount and timing of recorded impairment provision for any period.

28.2.3 Impairment of investment in associates

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

As at June 30, 2020 and December 31, 2019, based on management's assessment and judgment, the carrying value of its investment in associates is not impaired. Annual losses of the associate are considered by management as temporary.

28.2.4 Provision for impairment of receivables

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

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

28.2.5 Provision for inventory obsolescence and losses

The Group recognizes a provision for inventory obsolescence and losses based on a review of the movements and current condition of each inventory item with adequate consideration on identified damages, physical deterioration, technological and commercial obsolescence or other causes. The provision account is reviewed on a periodic basis to reflect the accurate valuation of the Group's inventories. Inventory items identified to be obsolete and unusable is written-off, and charged as expense for the period. Management determines on a regular basis the necessity of providing for impairment. Any change in the Group's recoverability assessment could significantly impact the determination of such provision and the results of operations. The details of inventories are shown in Note 5.

28.2.6 Impairment of property and equipment

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

28.2.7 Determining the lease term

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

28.2.8 Income taxes

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

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

28.2.9 Contingencies

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

28.2.10 Accounting for transfer of assets

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

28.2.11 Determining control over a subsidiary

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

Note 29 - Summary of significant accounting policies

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

29.1 Basis of preparation

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

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

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

Changes in accounting policy and disclosures

The Group has adopted PFRS 16, *Leases* retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period following the modified retrospective method, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet as at January 1, 2019.

The net impact on retained earnings and NCI as at January 1, 2019 was a decrease of P5,655 and P1,558, respectively.

The Group elected to present separately the ROU assets, lease receivables and lease liabilities in the statement of financial position.

On adoption of PFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of PAS 17, *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's negotiated borrowing rate as at January 1, 2019. The weighted average Group's negotiated borrowing rate applied to the lease liabilities as at January 1, 2019 was 5.09%.

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

29.2 Consolidation

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

29.2.1 <u>Subsidiaries</u>

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 June 30, 2020 and December 31, 2019 are as follows:

	2020		2019	
Entity	Percentage of Ownership		Percentage of Ownership	
	Direct	Indirect	Direct	Indirect
CCAC	60	-	60	-
CDI	100	-	100	-
CBSI	100	-	100	-
CTC	100	-	100	-
Alstra	100	-	100	-
COPI	-	51	-	51
Teko	-	52	-	52

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; and Teko is 48% as at June 30, 2020 and December 31, 2019.

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

(a) Business combination through acquisition of business

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

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

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

Intercompany transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated.

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

(b) Business combinations under common control

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

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

29.2.2 <u>Associate</u>

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

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

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

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

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

29.3 Cash and cash equivalents

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

29.4 Receivables

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

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

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

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

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

29.5 Investments and other financial instruments

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

Financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From January 1, 2018, the Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

<u>Financial liabilities</u>

(a) Classification

The Group classifies its financial liabilities at initial recognition in the following categories: at FVPL and other financial liabilities.

(i) Financial liabilities at FVPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at FVPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

A financial liability is classified as financial liability at FVPL upon initial recognition if: such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; the financial liability forms part of group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and PAS 39 permits the entire combined contract (asset or liability) to be designated as FVPL.

The Group's foreign exchange forward contracts included under trade payables and other liabilities account in the consolidated statements of financial position qualify as a derivative and are accounted for at FVPL.

(ii) Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include trade payables and other liabilities (Note 29.15) (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions) and borrowings (Note 29.16).

(b) Initial recognition and derecognition

Financial liabilities are carried at FVPL are initially recognized at fair value and transaction costs are recognized as expense in profit or loss. Other financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

Derivatives are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains or losses arising from changes in the fair value are presented in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

<u>Offsetting</u>

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 June 30, 2020 and December 31, 2019, there are no financial assets and liabilities that were offset.

29.6 Fair value measurement

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

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

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

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

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

As at June 30, 2020 and December 31, 2019, the Group does not hold financial and non-financial assets and liabilities at fair value other than foreign exchange forward contracts (Note 29.5).

29.7 Prepayments and other current assets

Prepayments, which are carried at cost, are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Prepayments and other current assets include input value-added tax (VAT), creditable withholding taxes and short-term investments.

Input VAT and creditable withholding taxes are recognized as assets in the period such input VAT and income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group.

29.8 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of raw materials, finished goods, work-in-process and spare parts and supplies is determined using the standard cost method adjusted on a regular basis to approximate actual cost using the moving average cost method. Cost of finished goods and work-in-process includes raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Inventories-in-transit are valued at invoice cost plus incidental charges. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Inventories are derecognized either when sold or written-off. When inventories are sold, the carrying amount of those inventories is recognized as an expense (under cost of sales and services) in the period in which the related revenue is recognized.

Provisions for inventory obsolescence and losses are set-up, if necessary, based on a review of the movements and current condition of each inventory item. Inventories are periodically reviewed and evaluated for obsolescence. Provisions for inventory obsolescence are made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values. The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value is recognized as income in the period in which the reversal occurs.

29.9 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs of assets under construction are accumulated in CIP account until these projects are completed upon which they are transferred to appropriate property and equipment accounts.

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

Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

Machinery and equipment	3 to 10
Transportation equipment	3 to 10
Furniture, fixtures and office equipment	2 to 5
Tools and equipment	3 to 5
Building and leasehold improvements	5 to 10

CIP is not depreciated until they are classified to appropriate asset category and used in operation.

The assets' residual values, useful lives and depreciation and amortization method are reviewed and adjusted, as appropriate, at each reporting date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

The carrying amount of an item of property and equipment is derecognized on disposal; or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss under other operating income (expense).

29.10 ROU assets

The Group leases various offices, warehouses, vehicles and other assets. Rental contracts are typically made for fixed periods of three to ten years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised as a ROU asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT-equipment and printers.

29.11 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment properties will flow to the Group and cost of the investment can be measured reliably. The cost of investment property includes costs incurred initially to acquire the asset and costs incurred subsequently to add to, replace part of, or service a property.

Investment property is tested for impairment once indicators of impairment are present. The carrying amount of the investment property is written down immediately to its recoverable amount if the former is greater than its estimated recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For purposes of assessing impairment of the investment property, fair value less cost to sell is based on the best information available to reflect the amount that the Group would obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal. In determining this amount, the Group considers the outcome of recent transaction for similar property within the same location. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Investment property is derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from their use or disposal. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized through profit or loss in the year of disposal.

29.12 Intangible assets

29.12.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any NCI in the acquired company and the acquisition-date fair value of any previously-held interest in the acquired company over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

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

29.12.2 Customer relationships and customer contract backlogs

Customer relationships and backlogs acquired in a business combination are recognized at the fair value at the acquisition date. The contractual customer relations and backlogs have finite useful lives of 25 years and 2 to 3 years, respectively, and are carried at cost less accumulated amortization.

29.12.3 Computer software

Computer software cost is measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over it estimated useful lives of five (5) years.

An intangible asset is derecognized on disposal, by sale or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition is recognized in profit or loss when the asset is derecognized.

29.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that reflect current assessments of the time value of money and the risks specific to the asset. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increase should not exceed the carrying amount that would have been determined had not the impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income immediately.

29.14 Current and deferred income tax

The provision for income tax for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess MCIT) to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except that the deferred income tax liability arises from initial recognition of goodwill.

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

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are derecognized when the relevant temporary differences are realized/settled or recoverability is no longer probable.

29.15 Trade payables and other liabilities

Trade payables and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. Payables are generally due within 30-60 days and therefore are all classified as current. Trade payables and other liabilities are classified as current liabilities if payment is due within one (1) year or less. If not, they are presented as non-current liabilities. These are unsecured, non-interest bearing and are recognized initially at fair value and subsequently measured at amortized cost which is normally equal to their nominal value.

29.16 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss within finance costs over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use when it is probable that they will result in future economic benefits to the Group and costs can be measured reliably. Other borrowing costs are expensed as incurred.

Borrowings are derecognized upon payment, cancellation or expiration of the obligation.

29.17 Provisions

Provisions are recognized when: (a) the Group has a present legal or constructive obligation as a result of past events; (b) it is more likely than not that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Provisions are derecognized when the obligation is settled, cancelled or has expired. Provisions are not recognized for future operating losses. Provisions include those for contingencies and commissions.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

The Group recognizes warranty provision, which represents estimated costs including replacement parts and labor that will be incurred in relation to requested service for reported damages and required rework of defective finished goods within the allowable period. The provision is evaluated on an annual basis; and adjusted accordingly which includes actual utilization of warranty provisions. Any increase or decrease in the amount based on reassessment of existing trends and circumstances are charged against or credited to operating expenses in profit or loss. Warranty provisions are classified as current liabilities if the warranty period is due within one (1) year. If not, they are presented as non-current liabilities.

29.18 Equity

29.18.1 Share capital and share premium

Common shares are stated at par value and are classified as share capital. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The excess of proceeds from issuance of shares over the par value of shares are credited to share premium.

29.18.2 Retained earnings

Retained earnings include current and prior years' results of operations, and dividends declared, if any. Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Parent Company's BOD.

29.18.3 Dividends

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

Share dividend represents dividend payment made in the form of additional shares rather than a cash payout. Dividend distribution to the Parent Company's shareholders is recognized as an addition to share capital in the Parent Company's financial statements in the period in which the dividends are approved by the Parent Company's BOD.

29.18.4 Treasury Shares

Where the Parent Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

29.19 Earnings per share

29.19.1 Basic

Basic earnings per share is calculated by dividing the income attributable to owners of the Parent Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Parent Company and held as treasury shares. In a capitalisation or bonus issue or a share split, common shares are issued to existing shareholders for no additional consideration. Therefore, the number of common shares outstanding is increased without an increase in resources. The number of common shares outstanding before the event is adjusted for the proportionate change in the number of common shares outstanding as if the event had occurred at the beginning of the earliest period presented.

29.19.2 Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. As at report date, the Parent Company has no dilutive potential common shares including convertible debt and share options.

29.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee and BOD. The Executive Committee and the BOD analyze the Group's results of operation after considering eliminating entries.

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

29.21 Revenue, cost and expense recognition

29.21.1 Revenues

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

The Group recognizes revenue when the amount of revenue can be reliably measured and it is possible that future economic benefits will flow into the entity and specific criteria have been met. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, trade and volume discounts, returns and other incentives.

(a) Sale of goods

(i) Sale of goods - wholesale

The Group manufactures and sells a range of air-conditioning, refrigeration and other electronic equipment in the wholesale market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sale of services

The Group provides installation services and preventive maintenance services of products purchased by its customers. These services are provided on a time-basis or as a fixed-price contract. Contract terms of preventive maintenance services of equipment generally range from less than a year to three (3) years, subject to renewal. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Some contracts include multiple deliverables, such as the sale of elevators/escalators and related installation services. However, the installation is simple, since it does not include an integration service and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of elevators/escalators, revenue for the goods is recognized at a point in time when the goods is delivered, the legal title has passed and the customer has accepted the goods.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

(c) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(d) Commission, interest and other operating income

The Group recognizes commission income upon actual receipt of inventory deliveries made to both domestic and offshore customers on behalf of a counterparty, which normally is a related party, based on pre-agreed rates.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

Other operating income is recognized in profit or loss when earned.

29.21.2 Cost and expenses

Cost and expenses are recognized in profit or loss when incurred. Interest expense is recognized on a time-proportion basis using the effective interest method.

29.22 Leases - Group as lessee

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

29.23 Employee benefits

29.23.1 Retirement benefit obligation

CIC, CCAC, CBSI, CTC and COPI maintains a non-contributory defined benefit retirement plan which is a retirement plan that defines an amount of pension benefit that an employee will receive upon retirement, dependent on certain factors such as age, years of credited service, and compensation. CDI recognizes retirement benefit cost in accordance with RA 7641 (Retirement Law) which is also classified as a defined benefit plan.

The liability recognized in the consolidated statements of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit obligations at the reporting date less the fair value of plan assets. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), each subsidiary measures the resulting asset at the lower of (a) such amount determined, and (b) the present value of any economic benefits available to each subsidiary in the form of refunds or reduction in future contributions to the plan. The defined benefit obligation is calculated on a regular periodic basis by an independent actuary using the “projected unit credit cost” method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which they arise.

Past service costs are recognized immediately in profit or loss.

29.23.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

29.23.3 Bonus incentives

The Group recognizes a liability and an expense for performance-related bonuses, based on a formula that takes into consideration the profit attributable to the Group after certain adjustments and employee's performance. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

29.23.4 Other benefits

Wages, salaries, paid annual vacation and sick leave credits and other non-monetary benefits are accrued during the period in which the related services are rendered by employees of the Group. Short-term employee benefit obligations are measured on an undiscounted basis.

On June 11, 2018, the BOD approved the 2018 Long Term Share Incentive Plan. Under the Plan, a percentage of the Company's profit will be used to buy its existing shares in the stock market, which will then be given to entitled employees as an award based on pre-determined conditions. The program will be funded annually based on 1% to 2% of CIC profit based on the financial measure of Profit After Tax and Minority Interest.

29.24 Foreign currency transactions and translation

29.24.1 Functional and presentation currency

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

29.24.2 Transactions and balances

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

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

29.25 Related party relationships and transactions

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

29.26 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an economic benefit is probable.

29.27 Subsequent events

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

Due to the enhanced community quarantine being implemented by the National Government to address COVID-19, the Group has identified risks to the business as disruption of work operations in affected locations, and the impact of such on market demand for the Group's products. The Group has provided concrete and defined guidelines and protocols adhering to all proposed government regulations on this matter which it cascaded to all employees as of March 12, 2020 for strict implementation in all locations and field offices. Further, the Group has postponed mass events and marketing activities and temporarily scaled down its operations appropriately.

On the business impact, the Group's suppliers highlighted potential resource issue since manpower (production and logistics) movement is restricted by quarantine conditions which caused production delays. However, such situation is beginning to normalize and is steadily recovering. Alternative sourcing strategies are in place while ensuring qualification of new parts and finished goods.

The Group has assessed that the current situation and the continued extension of ECQ will have adverse impact on the Company's performance for the year. It is not however expected to result in any significant impairment of its assets nor impact the Group's ability to meet their obligations.

ANNEX F

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (based on the Unaudited Consolidated Results for the Period Ended June 30, 2020)

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

CCAC

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

CDI

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brand refrigerators and freezers. CDI manufactures a select range of its products at its factory at Light Industry and Science Park in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. CDI factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has the largest share of the residential and light commercial ("RLC") refrigeration market in the Philippines.

CMIP

CMIP is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMIP's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a whole range of appliances such as air conditioners, refrigerators, and laundry and kitchen appliances. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow it to expand into the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a brand leader in China and has various domestic production bases in China as well as overseas production bases in Vietnam, Belarus, Egypt, Brazil, Argentina, and India. It is also a joint venture and/or business partner of Carrier Corporation in selected countries worldwide.

COPI

COPI's primary business is to import, buy and sell, at wholesale, distribute, maintain and repair, elevators, escalators, moving walkways, and shuttle systems and all supplies, material, tools, machinery and part/components.

CBSI

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management.

CTC

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

Alstra

Alstra was organized primarily to carry on business as a holding company. Alstra may also engage in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

Teko

Teko's primary business is to provide information technology solutions, I.T. enabled services, e-commerce, web design, and applications, to enterprise, consumers, businesses, institutions and other end-users without engaging in mass media, advertising nor in telecommunication activities.

Tenex

Tenex is a joint venture company of Alstra and Mr. Joey P. Penaflor and is positioned to provide HVAC installation, repairs and maintenance services to commercial and business establishments.

Key Performance Indicators

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

	For the period ended June 30, 2020	For the period ended June 30, 2019
Gross Profit Margin (%)	34.0%	36.1%
Profit Before Tax (%)	1.9%	14.8%
Net Income Attributable to Shareholders (PhP Millions)	(35.1)	486.5
Net Income Attributable to Shareholders (% to Sales)	(0.8%)	6.3%
Return on Average Equity (%)	(2.8%)	20.6%
Return on Average Assets (%)	0.1%	13.5%
Earnings per share*	(0.09)	1.20
	As at June 30, 2020	**As at June 30, 2019**
Debt to Equity Ratio	0.7	0.7
Asset to Equity Ratio	1.7	1.7
Current Ratio	2.3	2.1
Book Value Per Share*	12.2	12.0

*Note: *Total Number of Shares used is 404,089,391 in 2020 and 404,089,391 in 2019.*

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

RESULTS OF OPERATIONS

The three months ending 30 June 2020 has been the most challenging in the Company's history with the impact of the COVID-19 pandemic.

Factors affecting the Company's financial and operational results in the first six months 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 the balance of Q2, 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 mSobility 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;

Macroeconomic Fundamentals: The Philippine Gross Domestic Product (GDP) growth rate dropped by 16.5% in Q2 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 and job displacement. Demand for consumer durables also shifted due to re-prioritization and deferment of big-ticket expenses.

Construction Sector Developments: The implementation of ECQ slowed down construction projects and resulted to limited or hardly any construction activity causing slow conversion of backlogs and delays in project implementation and product fulfillment.

Commodity Prices and Foreign Exchange Fluctuation: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials expense represents about 75% of the Company's manufactured cost of sales. Both commodity prices and FX were relatively stable in Q2. Challenges arose from material sourcing especially imported raw materials due to port and logistics restrictions.

Q2 performance as such showed an over 60% drop in reported sales and a loss of 105M in profit after tax after minority interest offsetting the strong momentum in the first two months of the year.

The first half ended June 30, 2020 showed an almost break-even profit after tax of P3.3 million despite the impact of Q2 and loss after tax after minority interest (PATAMI) of P35 million.despite a 43% decline in sales against same first six months in 2019.

Mid-May 2020 after ECQ lifting, we saw the gradual restart of certain industries and partners and a catch-up in pent up demand with 90% of our retail partners stores opening and commercial sites slowly ramping up.

During the lockdown, we focused on making our workplace safe, strengthening our brands, launching our e-commerce platforms, tightening our cost measures and ensuring third-party engagement and readiness for the reopening.

Moving forward, we have adjusted our operations and made preparations in anticipation of further future uncertainty while continuing to remain prudently focused on strategies that will allow us to continue to stay ahead of the curve.

Six months ended June 30, 2020 compared with six months ended June 30, 2019

<u>Net sales and services</u>

For the first six months of 2020, the total consolidated net sales and services was at P4.44 billion, a 43% decrease from same period last year.

The Consumer Lifestyle Solutions (CLS) Division posted a comparative period decrease in sales of 46% to P3.33 billion. Likewise, though unconsolidated, the growth momentum in the consumer appliance business over the past year was also derailed.

The Alstra Division consisting of commercial AC, elevators and escalators posted a comparative period decrease in sales of 29% to P1.10 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 the quarter peaking during the mid-week of March when ECQ was implemented.

Gross Profit and Margins

CIC registered consolidated gross profit of P1.5 billion for the six months ended June 30, 2020, a 46% decline from same period last year. The decline is attributable to lower absorption due to the decline in production volume.

Operating Expenses

CIC's total operating expenses were at P1.4 billion for the first six months of 2020, lower by 15% compared to same period last year, taking into effect the control measures implemented to manage expenses.

Other Operating Income and Finance Costs

Other operating income of P16.8 million was mainly related to FX revaluation gains and interest income from bank deposits and short-term placements.

FINANCIAL CONDITION

As at June 30, 2020 compared with as at December 31, 2019

Consolidated total assets as at June 30, 2020 was at P11.22 billion, down by P916 million from end of 2019 balance of P12.14 billion. Marked decrease in assets were from trade and other receivables, contract assets and inventories. Consolidated net cash position was up by P306 million to P1.91 billion as at June 30, 2020.

The decrease in trade receivables and other receivables was primarily due to continuous improvement of collection efforts. And lower sales in Q2.

Total liabilities as at June 30, 2020 amounted to P4.57 billion, a decrease of P295 million from end of 2019 mainly due to the decrease of trade payables and other liabilities driven by the lower purchased and overdue payments.

ANNEX C

2020 SPECIAL 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 2 October 2020 (the "Stockholder/s") may register by notifying the Corporate Secretary by email to cic.secretary@romulo.com on or before 26 October 2020. Registration shall be open from 14 October 2020 to 26 October 2020.

2. Upon registration, Stockholders shall provide the following information and documents (the file size should be no larger than 5MB):

   iv. For Individual Stockholders:
      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

   v. 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

   vi. 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 (2 October 2020)

      Corporate beneficial owner
      a. A scanned copy of the broker's certification on the corporate beneficial owner's name, account number and shareholdings as of record date (2 October 2020)
      b. A scanned copy of the certification duly signed by the corporate secretary of the corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial owner
      c. A scanned copy of a valid government-issued ID of the representative of the corporate beneficial owner with photograph

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 14 October 2020 to 26 October 2020. All Stockholders who wish to vote through a proxy or *in absentia* shall submit the duly signed proxies or ballots, as the case may be, to the Office of the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com not later than 26 October 2020.

5. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia* together with the votes cast by proxy, and committee organized by the Board will validate the results.

6. Stockholders who vote *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting in absentia for the Special Stockholders' Meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a Stockholder of the Corporation.

II. PARTICIPATION VIA REMOTE COMMUNICATION

1. Stockholders may attend the meeting remotely by viewing the livestream *via* Zoom Meeting. The information necessary to attend the meeting shall be sent to all shareholders who are able to register as required herein.

2. For purposes of quorum, only the following Stockholders shall be counted as present:

    a. Stockholders who have voted *in absentia* within the period of 14 October 2020 to 26 October 2020;
    b. Stockholders who have sent their proxies to the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com on or before 26 October 2020; and
    c. Stockholders who have notified the Corporation of their intention to participate in the meeting by remote communication by sending an email to cic.secretary@ romulo.com not later than 26 October 2020.

3. Questions and comments on the items in the Agenda may be sent to investorrelations@cic.ph. Questions or comments received on or before 26 October 2020 may be responded to during the meeting. Any questions not answered during the meeting shall be answered by the Corporation's Investor Relations Office via email or by posting on the Corporation's website, https://cicssm2020.cic.ph/.

ANNEX D

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").

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

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 - Present
UBP Investments Corporation	Director	December 20, 1993 to present
UBX Philippines Corporation	Director	January14, 2019 to present
City Savings Bank, Inc.	Director	March 22, 2018 to present
UBX Pte. Ltd. (Singapore)	Director	October 23, 2018 to present
The Insular Life Assurance Co., Ltd.	Non-Executive Trustee	November 01, 2017 to present
Management Association of the Philippines	Member, Board of Governors	January 01, 2019 to December 31, 2020
Philippine Trade Foundation, Inc.	Member, Board of Trustees	January 01, 2011 to present
Makati Business Club	Member	1993 to present
World Presidents Organization	Member	January 01, 2018 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 director/officer/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 am not an officer or an employee of any government agency or government-owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this day SEP of 3 0 2020, at PASIG CITY.

JUSTO A. ORTIZ
Affiant

SUBSCRIBED AND SWORN to before me this SEP 3 0 2020 day of September 2020 at PASIG CITY, affiant personally appeared before me and exhibited to me his/her UMID ID No. 006000000009 issued at ________________ on ________________.

Doc. No. 10;
Page No. 3;
Book No. XV;
Series of 2020.

Nikki Neil Santos
Notary Public for Pasig, San Juan and Pateros, Metro Manila
Commission No. Expires on 12-31-21
Appointment No. 47 (2020 to 2021)
IBP No. 097248 (for 2020) / 12-11-19 / Pasig City (RSM Chapter)
PTR No. 6439176/ 01-02-20 / Pasig City
Roll of Attorneys No. 57961
MCLE Compliance No. VI-0025284
18th Floor, UnionBank Plaza, Meralco Avenue
Ortigas Center, Pasig City

ANNEX E

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

SECRETARY'S CERTIFICATE

I, **JAYSON L. FERNANDEZ,** of legal age, with office address at 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, after being duly sworn in accordance with law, hereby depose and certify that:

1. I am the incumbent Corporate Secretary of **CONCEPCION INDUSTRIAL CORPORATION** (the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with business address at 308 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

2. To the best of my knowledge, none of the following directors and key officers of the Corporation are currently employed by any government office of the Republic of the Philippines:

Name	Position
Raul Joseph A. Concepcion	Chairman and President
Renna C. Hechanova-Angeles	Vice-chairman and Treasurer
Raul Anthony A. Concepcion	Director
Jose Ma. A. Concepcion III	Director
Ma. Victoria Herminia C. Young	Director
Raissa C. Hechanova-Posadas	Director
Cesar A. Buenaventura	Independent Director
Alfredo E. Pascual	Independent Director
Rafael C. Hechanova, Jr.	Executive Vice President, Business Development
Maria Victoria A. Betita	Chief Finance Officer
Rajan Komarasu	Director, Business & Industrial Solutions Group
Harold T. Pernikar	Director, Consumer Sales Group
Phillip F. Trapaga	General Manager, Concepcion Midea
Alexander T. Villanueva	Director and General Manager, Manufacturing and Supply Chain Management
Shaun Byrne	President, Cortex Technologies Corp.
Mary Grace Z. Velasco	Vice President, Investor Relations and Corporate Planning
Michael Eric I. Sarmiento	President and COO, Concepcion Business Services, Inc.
Richard L. Parcia	Chief Information Officer
Omar C. Taccad	Chief Compliance Officer and Vice President for Legal, Governance and Compliance
Jayson L. Fernandez	Corporate Secretary
Roxanne Viel C. Santos	Assistant Corporate Secretary

IN WITNESS WHEREOF, this certification has been signed on the date indicated in the jurat.

JAYSON L. FERNANDEZ
Corporate Secretary

SUBSCRIBED AND SWORN to before me in Makati City this OCT 01 2020 2020. Affiant who is personally known to me, exhibited to me his Passport No. P5655631 issued on 18 January 2018 at the DFA – NCR South.

Doc. No. 012;
Page No. 04;
Book No. 2;
Series of 2020.

ATTY. AARON ZIBEON U. SANCHEZ
Commission No. M-77
Notary Public for Makati City
Until December 31, 2021
21st Floor, Philamlife Tower
8767 Paseo de Roxas, Makati City
Roll No. 73250
PTR No. 8119626 / 03-Jan-2020 / Makati City
IBP No. 092286 / 23-Sept-2019 / Makati City