

**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS OF  
CONCEPCION INDUSTRIAL CORPORATION**

The Annual Meeting of the Stockholders of the Concepcion Industrial Corporation (the "Company") was held on July 10, 2019, at 10:30 a.m., at the Big Function Room, Manila Golf & Country Club, Makati City, Metro Manila.

**I. CALL TO ORDER**

After welcoming the stockholders to the meeting, the Chairman, Mr. Raul Joseph A. Concepcion, called the meeting to order and presided over the same. The Corporate Secretary, Mr. Jayson L. Fernandez, recorded the minutes of the meeting.

**II. CERTIFICATION OF SERVICE OF NOTICE AND QUORUM**

Upon request of the Chairman, the Corporate Secretary informed the body that the notice and agenda of the meeting were mailed or delivered to all stockholders of record as of June 10, 2019, the date fixed by the Board for the determination of stockholders entitled to notice of, and to vote at, the meeting. The Corporate Secretary further stated that based on the record of attendance and report on proxies received and counted by the office of the Corporate Secretary with the assistance of the Company's external auditors, there are present in person or duly represented by proxy at the meeting, stockholders who own or hold a total of 345,560,433 shares representing 84.84% of the total issued and outstanding capital stock of the Company. The Corporate Secretary then certified the existence of a quorum for the valid transaction of business.

On the basis of the certification of the Corporate Secretary on the existence of a quorum, the Chairman declared the meeting duly convened and open for transaction of business.

**III. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS HELD ON JULY 11, 2018**

The Chairman of the meeting stated that the next item on the Agenda is the approval of the Minutes of the Annual Meeting of the Stockholders held on July 11, 2018, copies of which are made available to the stockholders for their perusal at the office of the Corporate Secretary at any reasonable hour during business days. In addition, copies of the Minutes were available in the meeting site, and have been made available for review of all stockholders during the Annual Stockholders' Meeting.

Upon motion duly made and seconded, the reading of the Minutes of the Annual Meeting of the Stockholders held on July 11, 2018 was dispensed with and the same were approved as recorded.

#### IV. REPORT OF THE CHAIRMAN

The Chairman proceeded to the next item on the Agenda and delivered his Report. The Chairman's report is quoted below.

*"Good Morning, our shareholders, business partners and employees.*

*Welcome to the Annual Shareholders meeting of Concepcion Industrial Corporation or CIC.*

*Another whole year has passed, here we are again in the same location to report to you about the previous year's performance of our company, CIC.*

*Let me begin with a review of the macroeconomic environment we faced in 2018, to provide some perspective on the economic forces that defined our business environment in the past year.*

*On the global front, the world economy was unable to sustain the positive momentum of the previous year, largely fueled by the Federal Reserves' aggressive interest hikes in reaction to an expanding US economy.*

*In addition, the rising trade tensions between the US and China, as well as political uncertainties in Europe, dampened global business and investor confidence during the year.*

*These developments trickled down to the ASEAN economies, with most economies in the region experiencing tempered growth as external risks weighted on local demand and exports.*

*Here at home, the economy expanded 6.2% in 2018, despite a volatile and difficult environment, marked by high inflation (inflation rate surged to 10 year-highs), higher global oil prices, rising commodity prices, the weaker peso and the impact of the tax reform law which put substantial pressure on both local prices and cost.*

*Despite all the challenges, the positive momentum of the economy continued, although at a slower pace. Reflecting the resilience of our country's growth drivers and strong fundamentals as well as the momentum to keep our growth initiatives in place.*

*We are happy to report that CIC, weathered last year's challenges.*



*Reported Sales ended up at P14.2 Billion pesos a 2% increase. Total Sales including our unconsolidated subsidiary Midea and offshore sales reached a record P 15.3 billion, a 5% growth over the previous years.*

*Despite headwinds of rising costs due to higher commodity prices, high inflation, a fluctuating FX rate, and unfavorable weather particularly in Q3, profitability remained health with earnings at P 1.46 billion, a 5% decline from last year*

*Profit after Tax and Minority interest stayed at P 913 million, just shy of the P 1 billion mark.*

*2018 marked a key milestone for CIC.*

*CIC celebrated its 5<sup>th</sup> year anniversary since it was established and went public.*

*Throughout the past 5 years, we have grown beyond just being an air-conditioning and refrigeration company to the country's premier consumer lifestyle and building industrial solutions firm.*

*We mark our key milestones in the last 5 years.*

- First, we have transitioned from being a Private company to a Public one,*
- We have grown from 2 subsidiaries into 9 companies and several divisions,*
- We have expanded our business offerings not only from consumer appliances but solutions as well, we also offer - end to end business solutions, vertical transportation systems and after-sales and technology solution and systems.*
- To support these offerings, we have built key capabilities to support our product offerings as well as solutions that our customers require.*
- As a company we are known to standby behind all the products that we carry making us the most preferred brands across different consumer and business segments*
- As a result, we have sold over 4 million appliances in the last 5 years.*
- We have a built a sustainable and growing business model.*
- As an organization we are fast transitioning from a family owned and led organization to one of shared leadership.*
- Built on strong foundations that allows us the ability to continuously reinvent ourselves and challenge ourselves from one level to the next.*

*As we usher in the next 5 years. CIC enters the next chapter we call the "NEW CONCEPCION", defined by a future of endless possibilities and innovation for the benefit of all we serve, including our customers, colleagues, partners, markets and our country.*

*We are excitedly pursuing strategic growth from within and outside our core businesses*

*As we aim to offer products and solutions that are innovative and relevant to Filipino families and businesses.*

*One of our key focus areas this year is expanding the product and services thru our technology subsidiary, Cortex.*

*Through Cortex, we launched our newest IoT (internet of things) device. Buddee is a smart plug introduced to the market and positioned as CIC's entry into the home management system with residential air-conditioning as a starting point.*

*A pioneering product in the country to remotely monitor and control power, usage, and energy consumption, Buddee can be used with any brand of window air-conditioners and can now be purchased online via Lazada.com.*

*2018 also marks investments in new business and go to market models.*

*Last November 28, 2018, CIC announced, through Cortex, the majority acquisition of Teko Solutions Asia, Inc.*

*Teko is a tech start-up that utilizes a proprietary platform for real-time access to services and repairs, for home appliances such as air-conditioners, refrigerators, washing machines and water heaters, using self-employed, qualified and screened entrepreneur technicians – a first in the Philippines.*

*The Teko platform handles all interaction between the consumer and technician, giving the consumer a seamless and hassle-free way of maintaining their appliances.*

*This is just a few of the innovations that we will be introducing in the next few months and years. The future is bright from where we stand, and we are excited to usher it in.*

*We will not miss the future.*



*On a more somber note, earlier this year one of our independent directors, the distinguished Melito “Mel” Salazar Jr. passed away.*

*We will always remember Mel for the depth of his knowledge and unselfishly sharing this with all of us. In many ways, he has contributed immensely in guiding and shaping CIC to where we are today. He will forever be a part of our foundation and will profoundly missed.*

*I would also like to take this opportunity to introduce our new nominee for Independent director – Alfredo E. Pascual.*

*Fred is currently the CEO of the Institute of Corporate Directors. He was the president of the country’s premier state university – the University of the Philippines. Prior to his involvement in the academe, he worked at the Asian Development Bank for nineteen years in several positions.*

*Fred brings with him his wealth of experience and knowledge and surely will be a welcome addition and help us strengthen our strategic and governance visions. Welcome to CIC, Fred.*

*In closing, we would like to extend our gratitude to our board of directors who continue to steward CIC, our management team for dynamically executing our strategy, our business partners for their effective commitment, our employees for engaging to perform and our shareholders for your continued confidence in CIC.*

*We are energized by what the future holds, steadfast on our mission of “Building Better Lives” for all Filipino’s.*

*Thank you”*

**V. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018**

The next item on the Agenda was the approval of the audited financial statements for the year ended 31 December 2018 which had been earlier sent to the stockholders.

The Chairman of the meeting asked if there were any questions on the financial statements.

There being no questions, a motion was duly made and seconded for the approval of the audited financial statements for the year ended December 31, 2018 and that the votes be cast in accordance with the stockholders’ voting instructions.

There being no objection to the motion, the Corporate Secretary cast the votes, and with 345,560,433 shares representing 84.84% of the outstanding capital stock, cast in favor of the approval of the audited financial statements for the year ended December 31, 2018, the same were approved.

## **V. ELECTION OF DIRECTORS**

The next item on the Agenda was the election of directors of the Company for the ensuing corporate year.

Per the request of the Chairman of the meeting, the Corporate Secretary read the names of the nominees for election as directors (including independent directors), as follows:

Raul Joseph A. Concepcion  
Raul Anthony A. Concepcion  
Renna C. Hechanova-Angeles  
Raissa C. Hechanova-Posadas  
Jose Ma. A. Concepcion III  
Ma. Victoria Herminia A. Concepcion-Young  
Cesar A. Buenaventura  
Alfredo E. Pascual

and stated that Mr. Buenaventura and Mr. Pascual have been nominated as independent directors.

The Chairman informed the body that the Nomination Committee of the Board, composed of Mr. Raul Joseph A. Concepcion as Chairman, with Ms. Renna C. Hechanova-Angeles and Mr. Cesar A. Buenaventura as members, has reviewed and evaluated the background information of the nominees for election as directors/independent directors. Based on the standards specified in the Company's Manual on Corporate Governance and Amended By-Laws, the Nomination Committee has determined that each of the nominees possesses all of the qualifications and has none of the disqualifications for directorship. Also, the Nomination Committee evaluated whether any of the nominees for election as independent directors has any involvement in the Company's management or any business or other relationships with the Company which could, or could be reasonably perceived to, materially interfere with the exercise of independent judgment in carrying out their responsibilities as independent directors. The Nomination Committee has determined that Messrs. Cesar A. Buenaventura and Alfredo E. Pascual meet all the independence criteria and are qualified for election as independent directors. As recommended by the Nomination Committee, the Board confirmed the final nominees for election as directors/independent directors whose names have earlier been announced by the Corporate Secretary.

Thereafter, a motion was duly made and seconded that the Corporate Secretary be directed to cast the votes of the outstanding shares in accordance with the voting instructions



of the stockholders, for the election of all the nominees and that all the nominees be declared elected as directors, considering that there are only seven board seats and all of the seven nominees are qualified for directorship, including Messrs. Buenaventura and Pascual who are qualified to be elected as independent directors.

There being no objection to the motion, the Corporate Secretary casted the votes, and with 345,560,433 votes cast in favor of each of the above-named nominees, the eight nominees were declared elected as directors of the Company, with Messrs. Cesar A. Buenaventura and Alfredo E. Pascual as independent directors.

The Chairman introduced the newly elected members of the Board.

## **VI. APPOINTMENT OF EXTERNAL AUDITORS**

The Chairman stated that the next item on the Agenda is the appointment of external auditors.

The auditing firm of Isla Lipana & Co. was nominated.

Thereafter, upon motion duly made, seconded and carried, the stockholders present or represented by proxy at the meeting, constituting 84.84% of the outstanding capital stock of the Company, were voted in favor of the appointment of Isla Lipana & Co. as independent auditors, and the Chairman declared the appointment of Isla Lipana & Co. as independent auditors to audit the financial statements of the Company for the fiscal year 2019.

## **VII. AMENDMENT OF THE SIXTH ARTICLE OF THE AMENDED ARTICLES ON INCORPORATION**

The Chairman announced that the next item on the Agenda is a request for approval by the stockholders of the proposal to amend the Sixth Article of the Amended Articles of Incorporation of the Company.

The Chairman explained that during the meeting of the Board of Directors on April 3, 2019, the Board approved the increase in the number of directors from 8 to 9 and the corresponding amendment to the Sixth Article of the Amended Articles of Incorporation of the Company. The increase in the number of directors will allow an increase in the representation of independent directors in the Board, in line with enhancing the Company's good corporate governance. As a result of this amendment, the independent directors in the Company will increase from 2 independent directors to 3 independent directors. The Board recommends to the stockholders the approval of the proposed amendment of the Sixth Article of the Articles of Incorporation of the Company.

Thereafter, upon motion duly made, seconded and carried, all the shares of the stockholders present or represented by proxy at the meeting, constituting 84.84% of the

outstanding capital stock of the Company, were voted in favor of the approval of the foregoing proposal and adoption of the following resolution:

“RESOLVED, that the Sixth Article of the Amended Articles of Incorporation of the Company be, and is hereby, correspondingly amended, as follows:

‘*SIXTH*. That the number of directors of the corporation shall be nine (9), and the names, nationalities and residences of the first directors of the corporation are as follows:

xxx xxx xxx’

#### **VIII. RATIFICATION OF THE ACTIONS TAKEN BY THE BOARD AND MANAGEMENT**

The Chairman stated that the next item on the Agenda is the ratification of all actions taken by the Board of Directors and Management of the Company since the last Annual Meeting of the Stockholders on July 11, 2018.

Upon motion duly made and seconded, all the shares of the stockholders present or represented by proxy at the meeting, constituting 84.84% of the outstanding common shares entitled to vote, were voted in favor of the ratification of all actions taken by the Board of Directors and Management of the Company during the period from July 11, 2018 up to the date of this meeting.

#### **IX. OTHER MATTERS**

At this juncture, a stockholder noted that although the annual report and other meeting materials were available in USB flash drives distributed to all stockholders, it might be better if printed copies were also distributed considering that not all of the stockholders attending the meeting were familiar with flash drives. The Chairman explained that the decision to distribute annual reports to stockholders attending the annual meeting in USB flash drives is a way of conserving resources and helping save the environment. Nevertheless, the Chairman said that there are some printed copies available in the meeting venue and that slides of the report are also available.

The stockholder also asked if the increase in the number of directors would also equate to an increase in directors’ compensation. The Chairman replied that the addition of a director in the Board will not automatically result in an increase in the compensation of both the directors and senior management.

#### **X. ADJOURNMENT**

There being no further business to discuss, upon motion duly made, seconded and carried, the meeting was adjourned.



The Chairman thanked the stockholders for their attendance.

CERTIFIED CORRECT:

  
LAYSON FERNANDEZ  
Corporate Secretary

A T T E S T:

RAUL JOSEPH A. CONCEPCION  
Chairman of the Board