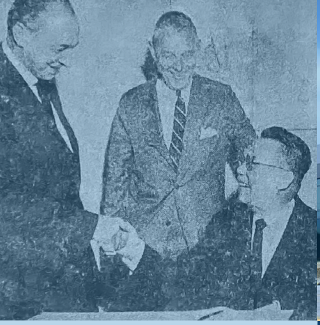










CONCEPCION

60

SINCE 1962

ABOVE & BEYOND

2022 ANNUAL REPORT




Table of Contents

CLICK OR TAP TO NAVIGATE TO SECTION

About the Company

Concepcion Industrial Corporation (the "Company" or "CIC"), formerly Concepcion Airconditioning Corporation ("CAC"), is one of the Philippines' most established and leading suppliers of solutions for the home and enterprises, such as air conditioners, refrigerators, small domestic appliances, and building solutions such as elevators and escalators.

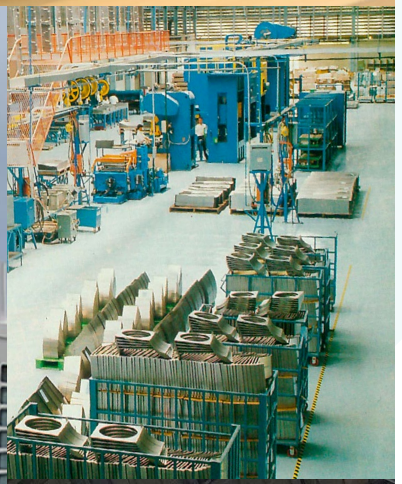
CIC was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on July 17, 1997. On November 27, 2013, the Company's common shares were listed on the Philippine Stock Exchange and are trading under the ticker "CIC."

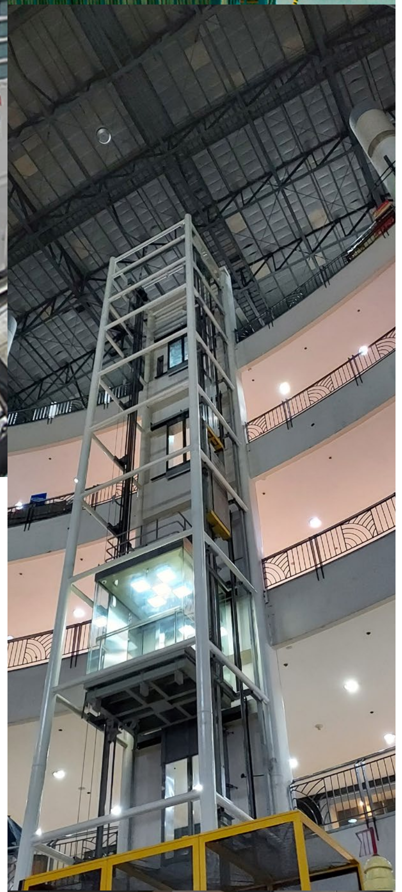
The Company has been in the industry for 60 years primarily through Concepcion Industries Inc. ("CII"). CII was established in 1962 by Jose Concepcion Sr. with the goal of providing comfort to Filipino homes through the most advanced cooling technology available. During the same year, CIC obtained an exclusive license to manufacture and distribute the world-class Carrier Air Conditioning brand in the Philippines from Carrier International to offer Carrier brand air conditioners in the Philippines. In 1977, a license for Kelvinator was obtained. In 1987, the Condura brand was introduced in the market.

Through a restructuring in 2013, CII's ownership interest in CAC was transferred to the parent companies: Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc. On May 8, 2013, CAC purchased CDI from CII. On June 20, 2013, CAC was renamed Concepcion Industrial Corporation.

CIC is primarily a holding company which operates principally through its eight 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"), Tenex Services, Inc. ("Tenex") and its associates, Concepcion Midea Inc. ("CMI") and Teko Solutions Pte. Ltd. ("Teko SG").

CCAC is engaged in the manufacture, sale, distribution, installation, and service of heating, ventilation, and air conditioning (HVAC) products and services for residential, commercial, and industrial use. It is a joint venture between the Company and Carrier Air Conditioning Philippines, Inc. (CACPI), which allows it to offer Carrier and Toshiba air conditioner brands 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 (LISP) in Cabuyao, Laguna, Philippines. The factory is Philippines' largest air conditioning facility with a capacity of approximately 500,000 units per year and a production area of 19,620 square meters (sqm). Its products are distributed and sold primarily in the Philippines. It has a nationwide distribution reach supported by a nationwide after-market network.





CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brands of refrigerators and freezers. It manufactures a select range of products at its factory in LISP in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. CDI factory has an annual capacity of 300,000 units and a production area of 16,420 sqm. CDI has a leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines.

Since 2020, CDI has expanded its product portfolio from small domestic appliances such as rice cooker, coffee maker, and juicer to kitchen and laundry appliances.

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a full range of appliances such as air conditioners, refrigerators, laundry, and kitchen appliances. CMI also distributes Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. This did not only expand the CIC's multi-brand offering to the Philippine market but will also allow its expansion to the wider white goods market.

COPI is a joint venture between Alstra Inc., a wholly-owned subsidiary of CIC, and Otis Elevator Company (Philippines). It sells, installs and provides services to Otis brand elevators and escalators in the Philippines. Its solutions include engineering design, supply and installation, project management, testing and commissioning, service repairs and parts, retrofit services on vertical transportation equipment.

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management. In 2020, CBSI introduced online platforms to allow other subsidiaries to sell directly to consumers.

CTC engages in the research, development, and commercialization of new and emerging technologies. It also develops strategic partnerships and identifies potential local and international acquisitions 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 was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. It is also engaged 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 is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages information technology solutions and innovative business models to transform appliance services.

Tenex provides HVAC installation, repair and maintenance services to commercial and business establishments.

Teko SG is a company incorporated in Singapore. Its purpose of business is to be a holding company for the regional expansion of Teko across Southeast Asia.

From a cooling solutions provider, CIC is expanding the Company's portfolio of products and services designed for the needs of every Filipino home and business. With the future in mind, we are at the forefront of creating new solutions through innovation, staying true to our commitment to serve our customers with quality products and services to create happier spaces for all.




BACK TO
TABLE OF CONTENTS


Our Brand Manifesto

CONCEPCION

WE MAKE **Happy Spaces**

With TECHNOLOGY and APPLIANCES that make life.

EASIER. COMFIER. AND BETTER.

It's our way to make the everyday **a happy day.**

And no matter the space, we turn it into a place

***Where you can* THRIVE —**

With the help of **experts** who know how.

WE EMPOWER the entrepreneurial spirit BY SEEKING OUT innovative ways

to find ***solutions*** for your business.

That's why we constantly search the globe to bring you The best technology. The best innovation.

To bring the **global** to **the local**

To bring ***happy spaces to life.***





Our Vision

We are a trusted Filipino company with the vision of being the best at providing solutions for homes and businesses through relentless innovation and building a sustainable future for our country.

- One Million Affected Lives
- CIC Solutions in Every Home
- Brand Promise Fulfillment
- Customer-Centric Innovation
- Measurable Sustainability Initiatives

Our Mission

Creating happy spaces for Filipino people and businesses

Our Core Values

Innovating For Happier Outcomes

Always looking for newer and better ways to ensure happier outcomes for the people we serve and so we look to the power of technology to make this happen.

Going Above And Beyond

Willingness to go the extra mile with a sense of urgency to ensure that customers are always happy.

Doing The Right Thing

We strive to do the right thing, the right way, all the time. In CIC, doing the right thing is non-negotiable.

Making Customers Happy

We want our customers to be happy and stay happy because this ensures our success. Happy customers are good for business, so we are committed to learn more about them and find new and better ways to make them happy.

Caring For People And The Planet

We are keenly aware of our responsibility to future generations. And so we promote the protection of the environment. We care for the people we serve and the people working in our organization. Their safety and progress matter to us.

Doing Our Best Always

We understand that when people buy our products, hire our services, they are counting on reliability, a job well done and solutions that can truly help them move forward in life. CIC employees are quality people our customers can always count on.

Our Purpose

**CREATING HAPPY SPACES
FOR FILIPINO PEOPLE AND BUSINESSES**

We believe that the spaces in which we live have the power to help us do and feel better. These spaces working together with our expertise and technology can be made to enable progress and positivity for the people that live and work in them turning them into "happy spaces". Thereby shifting our mission from providing convenience for businesses and every Filipino family so they can build better lives. The key reason is that our future is about being an integral part of the Filipino home and business. We need to shift focus from being a provider of products, services, and solutions into a company focused on the humans we serve, tapping into their pain points and needs.

Companies have always classified their efforts as B2B (Business-to-Business), B2C (Business-to-consumer) or B2I (Business-to-Investor), but ultimately it's all about people.

Focusing on experiences—Human-to-Human interactions, and making humans—the people we serve—the center of our business and fully understanding their needs is key to our success.

RAUL JOSEPH A. CONCEPCION
Chairman & CEO

Industry Accolades and Recognition

1996-2021
PLATINUM WINNER
Most Trusted Air Conditioner

2006-2021
GOLD WINNER
Most Trusted Refrigerator
Most Trusted Air Conditioner

2014
WINNER
Outstanding Category
Raul Joseph A. Concepcion, Chairman & CEO

FinanceAsia
ASIA'S BEST COMPANIES

2015
1st Best Small Cap
6th Best Investor Relations
6th Best Corporate Governance

2016
1st Best Small Cap

2016
FINALIST
Raul Joseph A. Concepcion, Chairman & CEO

ACGS
CORPORATE GOVERNANCE SCORECARD
2022 ANNUAL GOLDEN ARROW AWARDS

2022
WINNER
Golden Arrow Award for Corporate Governance

In January 2023, CIC received its first one-arrow recognition from the Institute of Corporate Directors (ICD) at the ASEAN Corporate Governance Scorecard (ACGS) 2022 Golden Arrow Awards, which recognizes the outstanding performance of publicly listed companies in corporate governance.

CIC at a Glance

BACK TO
TABLE OF CONTENTS

Milestones at CIC:
60 Years of Building Better Lives

Strengthening Partnerships and Brand Building

1962-1990

1962
Concepcion Industries established

1962
Carrier license obtained

1977
Kelvinator license obtained

1987
Condura brand launched

1990-2000

1992
New air conditioning factory opened

1997
CCAC formed strategic alliance with Carrier

1998
New refrigerator factory opened

Forming the Local Organization

2000-2012

2006
CDI formed

2009
Obtained Totaline trademark license

2010
CCAC acquired Carrier Linde Refrigeration

Integration and Focus

2013

2013
CAC was renamed Concepcion Industrial Corporation ("CIC") and the company purchased CDI from CII

Nov 2013
Initial public offering

Nov 2013
Formed JV with Midea

Growth and Expansion

2014-2018

2014
JV partnership with Otis

2015/16/17
CIC voted Asia's Best Company Award

2016
Strategic alliance with Ionics (IOT)

July 2016
Concepcion Business Services formed

2016/17
Asia CEO Awards "Leadership Team Award" & "Employer of the Year"

2017
Condura wins "Brand of the Year"

2017
Cortex Technologies Inc. formed

2017
Building & Industrial Group renamed and Alstra launched

2018
Go Live SAP ERP on S4 HANA

Transformation

2017-2021

2019
Start Of CIC's tech ventures expansion and innovation Investments (AllCare, Teko, Studio Dresden, Tenex)

2020
CIC launches WeCARE and expands its CSR and emergency response programs

2020
CIC begins investing in digital platforms

2020
CIC launches ConcepStore, SureServ, and CNX

2021
Introduced the new Concepcion logo, restated core values, mission and vision

2022

Commemorating 6 Decades of Building Better Lives

BACK TO
TABLE OF CONTENTS

Achieving Growth Through Key Alliances

	Concepcion-Carrier Air Conditioning Company	Concepcion Durables, Inc.	Concepcion-OTIS Philippines, Inc.	Concepcion-Midea Philippines, Inc.	Concepcion Business Services, Inc.	Cortex Technologies, Inc.	Alstra, Inc.
CIC Ownership	60% (CIC) 40% (Carrier)	100% (CIC) Brand licensing with Electrolux	51% (CIC) 49% (Otis)	40% (CIC) 12% (CCAC) 38% (Midea)	100%	100%	100%
Products and Services	Airconditioning systems	Domestic refrigeration	Elevators & escalators	Consumer appliances	Shared services	Technology development, IOT, new business investments	Building solutions
Allied Partners	Carrier Corporation	Electrolux	Otis	Midea, Carrier Corporation		Teko, All Care, CNX	
Brands	Carrier, Toshiba, Condura & Kelvinator	Condura, Kelvinator	Otis	Midea		CNX	Tenex

Our House of Brands

Carrier

Inventor of modern air conditioning, cooling the world since 1915

CONDURA

A symbol of Filipino pride and longtime preferred choice for Filipino homes and business

Midea

World's leading home appliance manufacturer

TOSHIBA

Inventor of inverter technology; a trusted name in Japanese technology.

Kelvinator

A global pioneer in quality home appliances

OTIS

Inventor of modern elevators, moving the world ahead

TOTALINE

The most dependable HVAC parts brand

Key Manufacturing Figures

CCAC Manufacturing and R&D Plant

19,620 sq.m
Production Area

500,000
WRAC units
per year

3,412 sq.m
Office Area

60,000
Commercial AC
tons per year

CDI Refrigeration Manufacturing Plant

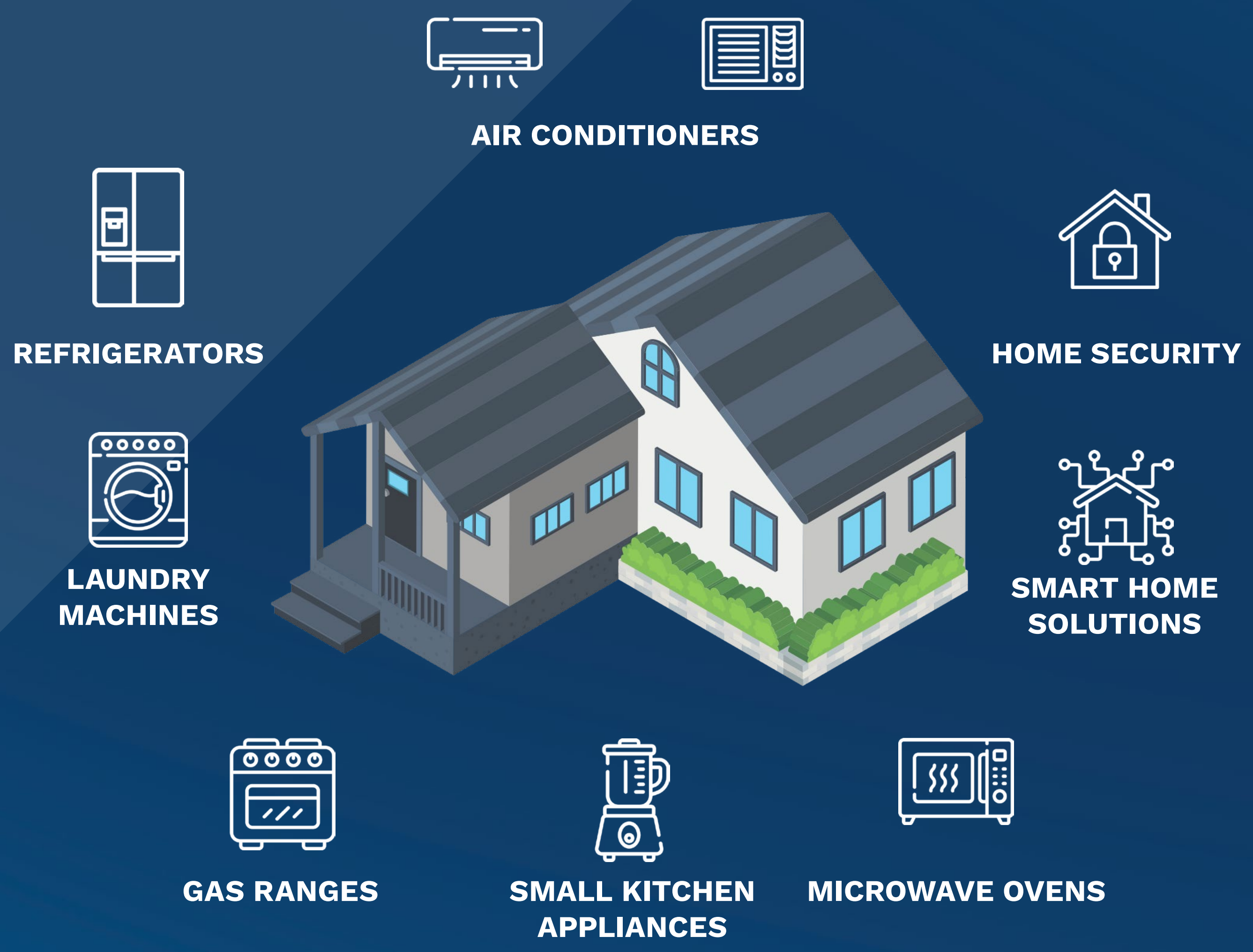
15,000 sq.m
Plant Area

300,000
units per year

9,576 sq.m
Production Area

Product and Solutions Portfolio

The Largest Consumer Appliance Company in the Philippines



74% Revenue • 66% Net Income

The Philippines' Preferred Building and Industrial Solutions Provider

26% Revenue • 34% Net Income

Our Nationwide Presence

1
Head Office

8
Regional Branches

20,000 sq. m
Carrier Factory

7
Totaline Parts Stores

2,000
Technicians

20
Year-to-Date Distributors

67
Year-to-Date Retailers

200+
Service Centers

1,500
Employees

170
Accredited Installer Companies

TRUSTED END-TO-END CAPABILITIES AND LONG-TERM RELATIONSHIPS WITH DEVELOPERS

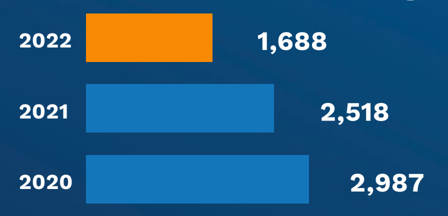
CUSTOMER SERVICE AND AFTER-SALES SUPPORT NETWORKS

Performance Highlights

In millions PhP except as indicated

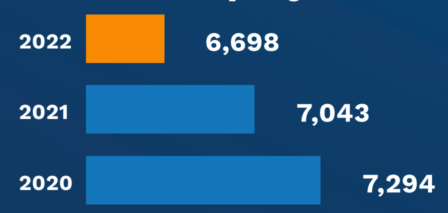
Statement of Income	2022	2021	2020
Net Sales	13,175	12,239	10,765
Gross Profit	4,056	4,065	3,928
Net income	358	378	687
PATAMI	154	165	471
Statement of Cashflow			
Net cash flows provided by (used in) operating activities	278	500	2,241
Net cash flows used in investing activities	38	84	98
Net cash flows used in financing activities	1,071	884	761
Net increase (decrease) in cash and cash equivalents	-831	-468	1,382
Financial Ratios			
Return on Equity	3.10	3.10	8.90
Current Ratio	2.16	2.19	2.21
Debt to Equity Ratio	0.76	0.75	0.74
Asset to Equity Ratio	1.76	1.75	1.74
Stock Information			
Stock price (in PhP/share)	17.10	20.40	23.40
Market Capitalization	6,804	8,308	9,530
Earnings per Share	0.38	0.41	1.17
Sustainability Highlights			
Direct economic value generated (revenue)	13,175	12,239	10,765
Direct economic value distributed:	14,586	14,010	29,999

Cash and Cash Equivalents

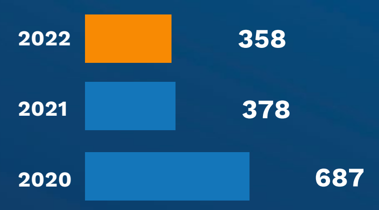


Net Sales

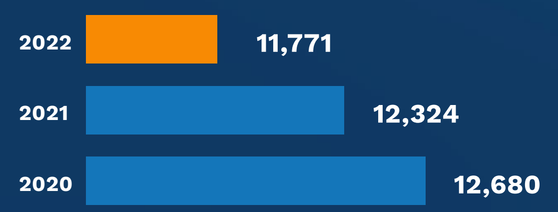
Total Equity



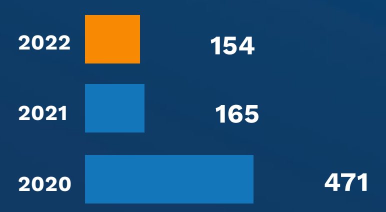
Net Income



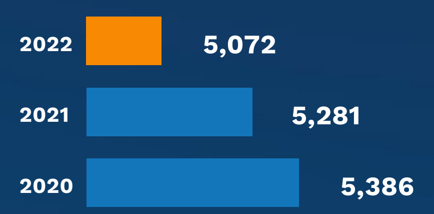
Total Assets



PATAMI



Total Liabilities



Chairman's Message

Dear Shareholders,

The year 2022 has been marked with unprecedented market environment amid the ongoing pandemic and global turmoil.

The Philippines saw a gradual recovery in 2022, with GDP growing by 7.6%, driven by the opening of businesses, increased mobility and the resumption of construction and service-related industries that were greatly affected because of the restrictions.

However, the conflict in Europe, pushing energy prices to soar at high levels, disruption in the supply chain, weakening of Philippine peso resulted in record levels of inflation. This forced central banks to raise interest rates to their highest level in over 15 years. These uncertainties and market volatility took a toll on the purchasing power and outlook for both businesses and consumers.

We also faced serious headwinds in 2022—inflation, rising prices, and a weaker peso, which resulted in higher costs, which inevitably led to weakening demand for our products.

In a context of exceptionally high inflationary environment spanning the entire year, our Company has been agile in weathering these challenges and remained resilient in steering the Company with the utmost goal of sustaining the long-term prospects of the business.

The inability to pass this cost up the value chain and the speed at which changes were happening led to a very uncertain and volatile situation. However, we pivoted decisively late last year to focus on efficiency and profitability.

Anchored on our manifesto of bringing happy spaces to life, we focused on three areas: business recovery, adapting to the new normal, and strengthening our culture and capabilities.

Our first focus area is about business recovery. We feel the need to re-energize the organization, simplify, and synergize our businesses.

We have shown time and again our ability to overcome challenges as our resilient business allows us to be able to adapt quickly and pivot when the situation calls for it.

We strengthen our core by expanding our distribution channels and re-engaging our customers. We improved our operating efficiency by optimizing our cost structure and reorganizing to serve the market better. We swiftly responded to the weaker demand by developing new channels to meet our customers, as well as launch new products and services. We will continue to offer products and services to them in ways that best suit them. We never lost sight of our long-term objectives and continued to invest in strategic projects.

Secondly, we remained agile in adapting to the new normal, as consumers, markets, and preferred distribution channels have changed dramatically over the last three years. Our key strategic focus is laying the foundation for Customer Lifecycle value through platforms, field service and digital marketing, lead generation and fulfillment.

We remain cognizant of our customers' evolving needs and preferences and streamline our process amid an increasingly digital environment.

We invested in technologies that can be leveraged across our brand portfolio and promote the acceleration of new product offerings and capitalize on long-term growth opportunities. We have also set up a separate organization on growth to help scale new business model innovation projects, as well as building a platform for data analytics.

Our third focus area is about strengthening our culture and capabilities. We saw the need to organize ourselves to better serve our customers in the new normal. We implemented leadership development programs, upskilling and learning sessions to ensure that we improve our people's capabilities to be able to adapt to the demands of the changing environment.

We consider our people as our most valuable asset. Thus, we ensure that their safety and well-being are consistent with our core value of Caring for the People and the Planet. We empower our people by re-engaging and re-energizing them with activities and programs to easily cope with the varying work environment.

We have shown time and again our ability to overcome challenges as our resilient business allows us to be able to adapt quickly and pivot when the situation calls for it. Our resilience and agility are imperative for us to realize the interventions we need to manage our risks.

On the financial performance, despite the headwinds, CIC delivered double-digit topline growth and maintained a healthy balance sheet, allowing us to continue investing for growth and returning shareholder value through dividends. Over the long-term, we expect margins to recover but not back to the same level as the environment is much more competitive now.

I thank our Board of Directors, the management team, and all our employees for their relentless service and dedication. I also thank our business partners who have stayed committed to being our allies in providing the best products and services to the Filipino consumers; our customers who have continued to show brand loyalty for the last 60 years. To all our valued shareholders, thank you for your continued support and confidence in CIC.

In closing, we welcome the new year with renewed confidence that we are heading towards the path of economic and business recovery. This 2023, we continue our journey towards greatness, with all our actions integrated into CIC's strategy house, coined as **GREAT**, which focuses on *Growth Focus and Mindset, Reliance on People and Partners, Excellent Customer Fulfillment, Agile Innovation* and *Trusted Brands*.

Our six decades of history and operating results in recent years reflect how our strategy of focusing on our core businesses has paid off. We remain committed to delivering results to reward you for your trust in our Company as we continue evolving towards greater sustainability.

Raul Joseph A. Concepcion
Chairman & CEO

Report of the Chief Financial Officer

Dear Shareholders,

We are pleased to report that Concepcion Industrial Corporation capped a year with promising results in 2022. While we made significant progress in our business operations, the year still came to a challenging close given the macroeconomic headwinds, especially rising costs and unfavorable foreign exchange.

CIC delivered year-over-year net sales growth of 8% to ₱13.2 billion, boosted by gradual price increases implemented throughout the year and supported by significant growth in the Commercial segment.

The Consumer business, which accounted for the largest proportion of sales at 74%, posted a modest growth of 0.9% against last year to reach ₱9.8 billion in net sales. This was lifted by price increases coupled by more than 60% growth in Laundry and Kitchen lines and Parts business segments. However, the weakened demand for air conditioners and refrigerators weighed on the growth, particularly WRAC and Direct Cool, as discretionary spending remains under pressure due to rising inflation and consumers continue shifting towards essential goods and services.

The Commercial business, consisting of commercial AC, elevators and escalators, represented the remaining 26% of sales. The segment reached ₱3.4 billion in net sales, 33% better than a year ago on the back of higher backlog and new orders amid the resumption of economic activities as we reached the phase of controlled circulation relative to COVID-19.

CIC's healthy operating free cash flows, strengthened balance sheet and disciplined capital management practices isolate us from the drastic impact of adverse market condition and interrupted business operations, posturing us for further growth and expansion. These allowed us to invest in our business while consistently returning shareholder value.

In 2022, we returned ₱401.9 million of cash to our shareholders through dividends. At the end of the year, CIC spent ₱60.2 million in capital expenditures. Of that amount, the majority was allocated to machinery and equipment, accounting for 60% of the total.

₱401.9M
Cash Dividends

₱60.2M
Capital Expenditures

Digital Transformation

As the playing field becomes more dynamic, CIC continuously focused on innovation through digitalization and process improvement in order to maintain our market leadership, drive the business towards profitability and capture the significant opportunities in the marketplace as they arise. We continue to be cognizant of our customers' evolving needs and preferences to ensure greater convenience and security for customers amid an increasingly digital environment.

Enterprise Risk Management (ERM)

On the risk management front, we believe risk is an integral and inevitable component of CIC's business. As our business operates in a more challenging environment and with exposure to risks both locally and globally, we remain committed to placing a sharp focus on proactively managing our risks.

Thus, in 2022, we have rolled out a formal Enterprise Risk Management program across all major operating entities to embed risk awareness and enhance the risk culture group-wide. Ad-hoc risk management practices were then aligned to the enterprise framework and policy.

ERM governance structure was established across the organization which includes a separate Corporate Risk Management unit at the holding company and different risk champions at the business units. At the Board level, the Audit and Risk Oversight Committee maintains an oversight and oversees the adequacy and effectiveness of the entire ERM program. The program will better support the business by ensuring risks are identified, assessed and mitigated according to the Management's risk appetite and tolerance.

In the near-term, we will focus on mitigating the top risks, completing the roll-out to all entities and enhancing the culture and process to allow better risk collaboration, communication and ownership. We will likewise integrate the risk assessment when crafting strategies to enhance selection process, pursue more opportunities and sustain growth moving forward.

Looking Ahead

Rising GDP per capita, stable remittances from overseas Filipino workers, rising middle class, sustained infrastructure spending and the development of communities outside the metro remain the catalysts in the country's consumption story. In addition, the Philippine peso has remained resilient amid global uncertainties.

Hinging on this optimism, these market dynamics create a competitive advantage for CIC, supported by our expanding product lines, unrivalled brand portfolio and growing distribution network. While we closely monitor the market environment, we will continue to adapt to the ever-changing economic landscape and fine-tune our operations accordingly.

With your unrelenting trust and support, we will continue steering the Company to greater heights with the utmost goal of providing long-term growth prospects for the business and delivering shareholder value towards a more sustainable future.

Rajan Komarasu
Chief Finance & Operating Officer

Corporate Social Responsibility

BACK TO
TABLE OF CONTENTS

Caring for people, the community, and the planet is embedded in the CIC DNA. Our thrust of building better lives continues to expand its meaning as we strive to make a difference, one caring action at a time.

Hope for a Happier Tomorrow: COVID-19 Vaccination Program

With Omicron, another COVID-19 variant, opening the year 2022 with a surge of infections across cities, CIC, in partnership with Muntinlupa and Cabuyao Local Government Units (LGUs) and City Health Offices, held a series of vaccination sessions as a follow through to “Hope for a Happier Tomorrow COVID-19 Vaccination Program” that began in 2020. Through this program, employees and their household members received boosters to protect them against Omicron and the growing list of COVID-19 variants. The vaccination sessions were held at the Alabang Corporate Office and Cabuyao Manufacturing Facilities, and achieved a 99% completion rate.

Giving the Gift of Life Through Blood Donation

In partnership with the Red Cross Rizal Chapter, CIC organized a blood-letting initiative held at the Alabang Corporate Office with employees across the organization rallying their support to help save lives through the program.

About 50 bags of blood were collected and turned over to Red Cross after the two-day program. CIC has been conducting blood-letting activities since 2016, and behind this is an advocacy for employees to imbibe the principle of *malasakit sa kapwa*.

BACK TO
TABLE OF CONTENTS

Sharing Our Light in the Season of Giving

Sharing our light to communities in need has always been the objective of “Be the Light”, CIC’s CSR program launched in 2020. As a Filipino company, we have always believed that we can all make a difference if we keep the Bayanihan spirit among us, especially in times of difficulty. “Be the Light” started as an emergency response program to aid the victims of Typhoon Ulysses in Cagayan, Isabela. On its first run, we were able to provide aid to 300 families, and in the same year, we were able to raise funds that made it possible for us to donate Noche Buena packs to 2,500 families from our adopted communities in Baguio, Samar, Pampanga, Mandaluyong and Muntinlupa. It has then become a Christmas tradition to bring joy to families in need every Christmas.

In 2022, with the overwhelming support of employees and partners, CIC was able to gift Noche Buena packs to 700 families, and donate 100 toys to the children from our adopted communities in Barangay Buli and Barangay Alabang Riles in Muntinlupa City.

Art for a Cause CMIP x ArtReach

Clean Air for Safe National Elections

BACK TO
TABLE OF CONTENTS

Cervical Cancer Screening

Indoor Air Quality with ASHRAE

Corporate Governance Report

BACK TO
TABLE OF CONTENTS

Board of Directors

Raul Joseph A. Concepcion
Chairman

Filipino, 61

Mr. Raul Joseph A. Concepcion has been the Chairman of the Board and Chief Executive Officer of the Company since 2008. He is also the President of CCAC and CII as well as the Chairman Emeritus of the Philippine Appliance Industry Association ("PAIA"). He holds a business administration degree from Simon Fraser University.

Renna C. Hechanova–Angeles
Vice Chairman and Treasurer

Filipino, 67

Ms. Renna C. Hechanova-Angeles was elected Vice Chairman of the Board and the Treasurer of the Company on July 18, 2013. She is concurrently the Vice Chairman and Treasurer of CDI, Director of CCAC, Corporate Secretary of Contel Communications, Director of the joint venture company between Ayala Land, Inc. and CII, Corporate Secretary of Republic Commodities Corporation ("RCC"), and Executive Vice President and Corporate Secretary of Concepcion CII. She is also the Corporate Secretary of Hyland Realty & Development Corp. Ms. Hechanova-Angeles holds a B.S. Commerce, Major in Management degree from Assumption College.

Raul Anthony A. Concepcion
Director
Filipino, 52

Mr. Raul Anthony A. Concepcion was elected to the Board of the Company on July 5, 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 CII., and Chairman of the Board 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 a finalist in the Ernst and Young Entrepreneur of the Year Awards in 2011 and received the Business Excellence Award for showing exceptional, consistent, and systematic application of total quality management principles. He holds a B.A. Political Science degree from the University of the Philippines-Diliman and an Executive Master of Business Administration degree from the Asian Institute of Management.

Jose Ma. A. Concepcion III
Director
Filipino, 64

Mr. Jose Ma. A. Concepcion III was elected to the Board of the Company on July 5, 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. He is also the co-chairman of the agri-business and food committee of Philippine Chamber of Commerce and Industry (“PCCI”). He is likewise a member of various industry associations such as PCCI, Philippine Association of Feed Millers (“PAFMI”), Philippine Association of Flour Millers (“PAFMIL”), Philippine Chamber of Food Manufacturers, Inc. (“PCFM”), Makati Business Club, and Management Association of the Philippines (“MAP”).

Mr. Concepcion is active in various socio-civic associations such as the Philippine Center for Entrepreneurship Foundation which he founded, The Search for the Ten Outstanding Students of the Philippines (“TOSP”) and Rotary Club of Makati Central. From 2005 to 2010, he was the presidential consultant for entrepreneurship, and from 2016 to 2022 he served as special adviser to the President of the Philippines.

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 De La Salle University.

Ma. Victoria Herminia C. Young
Director
Filipino, 63

Ms. Ma. Victoria Herminia C. Young was elected to the Board of the Company on July 5, 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 Assumption College.

Raissa C. Hechanova–Posadas
Director
Filipino, 62

Ms. Raissa C. Hechanova-Posadas has been a member of the Board of the Company since July 5, 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).

Cesar A. Buenaventura
Independent Director
Filipino, 93

Mr. Cesar A. Buenaventura, an Independent Director, was elected to the Board of the Company on November 27, 2013. He is chairman of Buenaventura Echauz and Partners, Inc. and Mitsubishi Hitachi Powers Systems, Inc. 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., Semirara Mining and Power Corporation, iPeople, inc., PetronEnergy Resources Corporation, and Shell Pilipinas 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.

Justo A. Ortiz
Independent Director
Filipino, 65

Mr. Justo A. Ortiz is an Independent Director since November 6, 2020. Mr. Ortiz serves as Vice Chairman of Union Bank. He holds the position of Chairman and/or Director

of various subsidiaries of Union Bank of the Philippines, PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation and UBX Philippines Corporation. He is also the Chairman of the following companies: Philippine Payments Management, Inc. Fintech Philippines Association, Inc. and Distributed Ledger Technology Association of the Philippines, Inc. He is a Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Board of Governors of Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Member of Makati Business Club and World Presidents Organization.

He was the Chairman of the Board of Union Bank from 2018 to June 2020. Chief Executive Officer from 1993 to 2017. Prior to his stint in the Bank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A.

Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa on December 11, 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

Luis Y. Benitez, Jr.
Independent Director
Filipino, 75

Mr. Luiz Y. Benitez, Jr. was elected as Independent Director on October 26, 2022. Mr. Benitez holds independent directorships with Insular Life Assurance Co. Ltd., Chinatrust Banking Corp., Credit Suisse Securities, Phils., Philippines First Insurance Corp., and Sta. Clara Construction Corp. He was a former Vice Chairman, Senior Partner, and Head of the Audit Division for SGV & Co. where he served from 1978 to 2007. Mr. Benitez received his MBA from the Stern School of Business, New York University. He is also a graduate of the Pacific Rim Bankers Program of the University of Washington. Mr. Benitez received his BSBA Major in Accounting from the University of the Philippines. He is a Certified Public Accountant.

Executive Committee

Raul Joseph A. Concepcion
Chairman & CEO

Mr. Raul Joseph A. Concepcion has been the Chairman of the Board and Chief Executive Officer of the Company since 2008. He is also the President of CCAC and CII as well as the Chairman Emeritus of the Philippine Appliance Industry Association ("PAIA"). He holds a business administration degree from Simon Fraser University.

Rajan Komarasu
Chief Finance and Operating Officer

Mr. Rajan Komarasu was appointed as the Chief Finance and Operating Officer of the Company on November 1, 2021. He is concurrently the President of Alstra Incorporated and COPI. He was the Chief Financial Officer of CCAC from 2007 to 2011. Mr. Komarasu held several positions in United Technologies Corporation (now known as Raytheon Technologies) primarily in the HVACR segment. Prior to joining the Company, his last role at UTC was Asia director for financial planning and analysis at the climate control and security department in Shanghai. Mr. Komarasu holds a Bachelor of Business degree from Curtin University. He was also a Chartered Accountant of Singapore.

Maria Victoria A. Betita
Chief Strategy and Transformation Officer

Ms. Ma. Victoria A. Betita was appointed as the Chief Strategy and Transformation Officer of the Company on November 1, 2021. She was the former Chief Finance Officer of CIC and CCAC from 2011 to 2021. Ms. Betita was formerly the Finance Director and Country Controller for Asea Brown Boveri Group from 1996 to 2001. From 2001 to 2005, she was the Chief Financial Officer of CCAC as well as the Treasurer and CFO of several Carrier subsidiaries. Prior to re-joining CIC and CCAC in 2011, Ms. Betita held several positions at Deutsche Knowledge Services, Pte. Ltd. She holds a B.S. Management Engineering degree from 2005 to 2011 in Ateneo de Manila University and a Master in Business Management from the Asian Institute of Management.

Rafael C. Hechanova, Jr.
Chief Corporate Affairs Officer

Mr. Rafael C. Hechanova, Jr. was appointed as Executive Vice President for Business Development and Corporate Marketing of the Company 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, he 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.

Merril F. Yu
Chief Experience Officer

Mr. Merril Yu is the Chief Consumer Experience Officer of CIC. Merril is a seasoned senior executive with over 25 years of leadership experience who has demonstrated success in managing full-scope operations and building multimillion dollar corporations. He is an international hotelier who has honed his craft with leading hotel brands such as Four Seasons Hotels, The Peninsula Group, and MGM among others. Locally, he has taken on senior leadership role in reputable organizations such as Megawide Construction Corporation as its Head of Hotels, LBP Service Corporation as its President, GHM Hotels Philippines Inc. as Managing Director, Legend Hotels International as COO and as SVP for SM Hotels & Entertainment.

Michael R. Hansson
Chief Product Officer

Mr. Michael Hansson is the Chief Product Officer of Smart Technology of the Company. Michael is an experienced corporate executive with over 15 years of proven hands-on experience in product development, engineering, technology management and international expansion managing teams from various countries. Most of these years were spent within Integrated Microelectronics Inc. (IMI) where he held numerous roles including Director for Global Automation, Managing Director for the Global Test & Systems Development as well as Global Design and Engineering. His most recent work was being the CEO for Lean Factory Technologies PTE Ltd. based in Singapore.

Harold T. Pernikar, Jr.
President, Concepcion Durables, Inc.

Mr. Harold Thomas Perkinar, Jr. is the President and CEO of CDI. Prior to joining CCAC, he worked at the various offices of AkzoNobel Car Refinishes and AkzoNobel Automotive & Aerospace Coatings in Asia from 2002 to 2012. He served as a product manager, marketing and logistics manager, global product manager and business development manager at 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.

Phillip F. Trapaga
President, Concepcion-Carrier Air Conditioning Company

Mr. Phillip Trapaga has been General Manager of CMI for three years and was concurrently appointed as Managing Director of CCAC last November 23, 2021. He also had a stint as Director of Channel Sales of CCAC with over thirty years of experience in the manufacturing, telecommunications and consumer durables.

Alexander T. Villanueva
General Manager, Integrated Solutions

Mr. Alexander T. Villanueva is the General Manager of Product Solutions and Integrated Solutions Services Division covering CCAC and CDI. From 2006 to 2009, he served as the quality director of CCAC. Previously, he performed roles ranging from quality engineer to head of quality at Ford Motor Company, both in the Philippines and in the U.S., and at Nissan Motor Philippines. Mr. Villanueva holds a B.S. Mechanical Engineering degree from the Mapua Institute of Technology.

Michael Eric I. Sarmiento
General Manager, Concepcion Business Services Inc.

Mr. Michael Eric Sarmiento is the President and COO of CBSI. 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.

CORPORATE GOVERNANCE FRAMEWORK

CIC and the CIC Group believe that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the marketplace. Thus, the business and operations of the Company and the Group are conducted in accordance with the principles and best practices of good corporate governance.

As a publicly listed company, the Board of Directors has formally adopted a Corporate Governance Manual (the "Manual") that incorporates the established governance policies and practices in accordance with applicable laws, rules and regulations, including the Code of Corporate Governance for Publicly Listed Companies. The amended Manual was approved and adopted by the Board of Directors on February 12, 2020 to incorporate current regulations. Through this Manual, the Board of Directors of the Company ("Board") aims to promote adherence and further strengthen the Group's commitment to good corporate governance.

The Philippine Revised Corporation Code (the "Corporation Code") lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code or Republic Act No. 8799 (the "SRC"), the rules issued by the Securities and Exchange Commission ("SEC" or "Commission") to implement Republic Act 8799, the Code of Corporate Governance for Publicly Listed Companies or SEC Memorandum Circular No. 19, Series of 2016 (the "CG Code"), the Company's Corporate Governance Manual, and the charters of the Board Committees.

Governance Structure

The Company supports the principle and regulatory mandate of check and balances across the entire Group by its observance of the segregation of powers, independence of audit, compliance, and risk management functions. In the context of good governance, the Company's Corporate Governance Manual defines the roles and responsibilities of the Board and Key Management Officers of the Company, through which the Company shall implement good governance practices.

Responsibilities of the Board

Board of Directors. The CIC Board of Directors is responsible for fostering the long-term success of the Company and securing its sustained competitiveness and profitability consistent with the corporate objectives and long-term best interest of the Company, its stockholders, and other stakeholders.

Board Composition

The Board comprises nine members, three of which are independent directors. Majority of the members of the Board are non-executive directors. Directors have a one-year term of office, which ends when their successors are elected and qualified. The Board is currently composed of 33% women directors.

Independent Directors

CIC has three independent directors. Each independent director has submitted a certification that he/she possesses all the qualifications and none of the disqualifications of an independent director.

2022 ASM and Board Meeting Attendance

The Board of Directors meets regularly at least six times per year. At the end of each year, a schedule of meetings of the Board for the ensuing year is circulated (with prior consultation with the directors on their schedule).

To ensure that all members are fully prepared for meetings, the materials for board meetings are distributed at least five days before the scheduled meeting by electronic mail as required under the CG Manual and the Board Charter.

Members	Board and Organizational Meetings (Attended/Held)	Annual Stockholders Meeting	Special Stockholders' Meeting
Raul Joseph A. Concepcion	8/8	✓	✓
Renna C. Hechanova-Angeles	8/8	✓	✓
Raissa C. Hechanova-Posadas	8/8	✓	✓
Ma. Victoria Herminia C. Young	8/8	✓	✓
Jose Ma. A. Concepcion III	5/8	✓	✓
Raul Anthony A. Concepcion	8/8	✓	✓
Cesar A. Buenaventura	8/8	✓	✓
Justo A. Ortiz	6/8	✓	✓
Luis Y. Benitez, Jr. [1]	2/8	-	✓
Alfredo E. Pascual [2]	2/8	-	-

[1] *Elected to the Board on October 26, 2022*

[2] *Resigned from the Board and Committee effective June 30, 2022 due to his appointment as Secretary of Trade and Industry in the cabinet of President Ferdinand R. Marcos, Jr.*

Board Committees

Executive Committee. The Executive Committee is empowered to exercise the powers of the Board in the management of the business and affairs of the Corporation except with respect to the approval of any action for which stockholders' approval is also required.

Designation	Name	2022 Committee Meetings (Attended/Held)
Chairman	Raul Joseph A. Concepcion	8/8
Member	Renna C. Hechanova-Angeles	8/8
Member	Raul Anthony A. Concepcion	8/8

Audit and Risk Oversight Committee. The Audit and Risk Oversight Committee is responsible for overseeing senior management in establishing and maintaining an adequate, effective, and efficient internal control framework, and that effective and adequate financial reporting, internal and external audit, monitoring and compliance systems and processes are established and maintained.

Designation	Name	2022 Committee Meetings (Attended/Held)
Chairman	Luis Y. Benitez, Jr. [1]	N/A
Member	Cesar A. Buenaventura	4/4
Member	Raissa C. Hechanova-Posadas	4/4
Member	Ma. Victoria Herminia C. Young	3/4
Member	Justo A. Ortiz	4/4
Member	Alfredo E. Pascual [2]	2/4

[1] *Appointed on October 26, 2022*

[2] *Resigned from the Board and Committee effective June 30, 2022 due to his appointment as Secretary of Trade and Industry in the cabinet of President Ferdinand R. Marcos, Jr.*

Corporate Governance, Nominations and Remuneration Committee. The Committee shall assist the Board in the performance of its corporate governance responsibilities, ensuring compliance with and proper observance of corporate governance principles and practices. In terms of its nominations functions, it shall (1) formulate screening policies to enable the committee to effectively review the qualification of the nominees for directors and independent directors, and (2) conduct nominations for independent directors prior to the stockholders' meeting in accordance with the procedures set forth in Rule 38 of the Amended Implementing Rules and Regulations of the SRC, as the same may be amended from time to time.

Designation	Name	2022 Committee Meetings (Attended/Held)
Chairman	Cesar A. Buenaventura	2/3
Member	Raul Joseph Concepcion	3/3
Member	Renna C. Hechanova-Angeles	3/3
Member	Justo A. Ortiz	2/3
Member	Luis Y. Benitez, Jr. [1]	N/A
Member	Alfredo E. Pascual [2]	2/3

[1] *Appointed on October 26, 2022*

[2] *Resigned from the Board and Committee effective June 30, 2022 due to his appointment as Secretary of Trade and Industry in the cabinet of President Ferdinand R. Marcos, Jr.*

Strategy and Investments Committee. The Committee is responsible for assisting the Board in the effective discharge of its responsibilities concerning the Company's investment policies and strategies, with emphasis on the following areas: (a) To review, assess and recommend to the Board the execution of major investments in new business opportunities within and outside of the Company's core business and the mechanism and form for undertaking such ventures through means such as mergers, acquisitions, joint ventures or wholly-owned subsidiaries; and (b) To provide guidance to Management in the identification, consideration, review analysis and selection, negotiation.

Designation	Name	2022 Committee Meetings (Attended/Held)
Chairman	Justo A. Ortiz	2/2
Member	Ma. Victoria Herminia C. Young	2/2
Member	Raissa C. Hechanova-Posadas	2/2

Training and Continuous Education

The Company has a Directors and Officers Orientation and Continuing Education Policy that provides for the continued education of Directors and key officers to ensure that they are informed of developments in the business and regulatory landscapes in the industry. In 2022, all directors and key officers of the Company attended a corporate governance training program conducted by SEC-accredited training providers.

Date	Directors	Title/Topics	Training Provider
October 20, 2022	Justo A. Ortiz	Distinguished Corporate Governance Speaker Series: Getting the Right Tool for ESG Compliance and Governance	Institute of Corporate Directors
December 2, 2022	Cesar A. Buenaventura	Crisis Communication and Dealing with Controversies	Center for Global Best Practices
December 9, 2022	Raul Joseph A. Concepcion Renna C. Hechanova-Angeles Raul Anthony A. Concepcion Ma. Victoria Herminia C. Young Jose Ma. A. Concepcion Raissa C. Hechanova-Posadas Luis Y. Benitez, Jr. Rajan Komarasu Maria Victoria A. Betita Rafael C. Hechanova Jr. Merril Yu Michael R. Hansson Harold T. Pernikar, Jr. Phillip F. Trapaga Merril Yu Michael Eric I. Sarmiento Michael Hansson Omar C. Taccad	Corporate Governance Training 1. Development of Corporate Governance in the Philippines 2. Organizational Resilience: ESG and digital, talent and culture, and scenario planning 3. Technology governance: digital transformation and cyber security.	P&A Grant Thornton

Integrated Annual Corporate Governance Report (I-ACGR)

The 2022 I-ACGR is available in the Company's website I-ACGR portion under Corporate Governance.

The Company is in full compliance of all required disclosures related to the Corporate Governance Manual. Areas for improvement noted during the accomplishment of the I-ACGR to match best practices will be addressed with positive action. The Manual is reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body.

Financial Review

BACK TO
TABLE OF CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

Factors Affecting the Company's Results of Operations

COVID-19: The Omicron surge in January significantly impacted consumer demand and slowed down the Company's growth momentum in Q1 and weighed on the full-year performance of CIC. However, the government's easing of restrictions in February allowed the reopening of the economy amid COVID-19 and signaled economic recovery in the country.

Macroeconomic Fundamentals: Despite the global economic challenges, the Philippine economy expanded 7.6% in 2022, driven by domestic consumption. The full reopening of the economy resulted in an expansion in services, industrial, manufacturing and tourism sectors to nearly pre-pandemic levels. The demand from the recovery, however, also led to record high levels of inflation that weakened consumer sentiment and lowered the purchasing power of peso. This impacted on the Company's retail business performance.

Construction Sector Developments: The opening of the economy has led to more normalization of both commercial and business activities. This led to stronger demand in the Commercial business mainly from retrofit/refurbishing projects which resulted to significant growth in the Company's commercial business. However, rising inflation and interest rates affected momentum in project bidding and contract awarding.

Commodity Prices, Logistics Costs and Foreign Exchange Fluctuations: The Company depends on raw materials sourced from third parties to manufacture the majority of its products. Raw materials represent about 71% of the Company's manufactured cost of sales. Commodity prices and logistics costs reached record high levels due to the Russia-Ukraine war which pushed fuel prices higher. The Philippine peso depreciation also contributed to the cost increases and forex losses from foreign denominated payables but eventually recovered towards the end of the year.

Weather: The early onset of the rainy season dampened Q2 AC sales relative to the strong performance during summer season in the past years.

RESULTS OF OPERATIONS

Even though two years have passed since the pandemic, business conditions remained challenging in 2022. The year started with the Omicron surge that led to lockdowns and renewed panic of the virus. This resulted in low consumer demand affecting January sales and earnings. The surge did not last long, and sales subsequently recovered, however, the Russia-Ukraine war happened causing fuel, commodity, and logistics costs to soar. In addition, the increased demand from the recovery further escalated prices creating record high levels of inflation. To curb inflation, the government increased interest rates, but this adversely affected the Philippine Peso. These factors considerably lowered the company's margins despite a series of selling price increases. Cost saving measures were implemented across

the organization to counter the negative impact on earnings. Refinements in the company's processes were applied and are continuously being pursued to better position the business for future opportunities.

Against the backdrop of uncertainties in the external environment, CIC ended the year with a consolidated net income of ₱0.36 billion, a 5.3% decline from ₱0.38 billion in 2021, as inflationary cost pressures dragged down the Company's earnings despite price hikes. Profit after tax after minority interest (PATAMI) declined by 6.6% year-on-year to ₱0.15 billion. Profit before tax declined by 4.6% to ₱0.57 billion due to weak demand, higher commodity prices and logistics costs and peso depreciation.

Net sales and services

For the year ended December 31, 2022, CIC generated consolidated net sales of ₱13.2 billion, 7.6% better than the ₱12.2 billion it made a year earlier, buoyed by gradual price increases implemented throughout the year coupled by the significant growth in the Commercial segment.

The Commercial Business consisting of commercial AC, elevators and escalators, posted a comparative year increase in sales of 32.9% to ₱3.4 billion on higher backlog and new orders amid the resumption of business establishments and easing of COVID-related lockdown restrictions.

The Consumer Business posted ₱9.8 billion in net sales, a 0.9% growth against the previous year, led higher by the price increases and more than 60% growth in Laundry and Kitchen lines and Parts business segments. However, this was offset by the weakened demand in air conditioners and refrigerators, particularly WRAC and Direct Cool, which were CIC's leading products, as consumer behavior shifted to food and beverages, travel, and entertainment amid rising inflation.

Gross Profit and Margins

CIC registered consolidated gross profit of ₱4.1 billion for the year ended December 31, 2022, a slight decline of 0.2% from the previous year, driven by higher commodity prices and peso depreciation. This translated to a lower margin of 30.8%.

Operating Expenses

CIC's total operating expenses slid by 1.5% to ₱3.4 billion due to lower employee costs, advertising and promotions, warranty, inventory obsolescence, and bad debts. The Company implemented cost-saving measures to cushion the impact of global economic headwinds. Favorability is partly offset by cost increases in logistics, diser and outsourced support to projects.

Other Operating Income (loss) and Finance Costs

Other operating loss of ₱65.9 million was mainly driven by the losses from foreign exchange and finance costs of ₱32.0 million relative to interest expense on short-term borrowings and amortization of lease liabilities.

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

	For the years ended December 31		
	2022	2021	2020
Net Sales and Services			
Consumer Business	9,759	9,677	8,152
Commercial Business	3,361	2,529	2,585
Others	55	33	28
Total	**13,175**	**12,239**	**10,765**
Cost of Sales and Services			
Consumer Business	6,756	6,502	5,198
Commercial Business	2,332	1,652	1,617
Others	31	20	22
Total	**9,119**	**8,174**	**6,837**
Gross Profit	**4,056**	**4,065**	**3,928**

FINANCIAL CONDITION

As at December 31, 2022 compared with as at December 31, 2021, CIC remains in a strong liquidity position which gives the Company balance sheet flexibility to support its future investment plans and withstand any external adversities. Consolidated total assets as of December 31, 2022 stood at ₱11.7 billion, lower by ₱0.6 billion from end of 2021 balance of ₱12.3 billion. This is attributable to the decrease in cash and cash equivalents, property and equipment and right of use of assets, net of increase in contract assets and inventories.

Consolidated net cash position decreased by ₱0.8 billion to ₱1.7 billion, as a result of inventory and short-term loan payment.

Total liabilities amounted to ₱5.1 billion, lower by ₱0.2 billion from end-2021 level, owing to the short-term loan payment and lower lease liabilities.

Shareholders' equity went down by 4.9% to ₱6.7 billion.

CIC maintained its current gearing at healthy levels, with debt-to-equity registering at 0.7x.

Key Performance Indicators

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

	For the years ended December 31		
	2022	2021	2020
Gross Profit Margin	30.8%	33.2%	36.5%
Profit Before Tax	4.3%	4.8%	9.6%
Net Income Attributable to Shareholders (in PhP Millions)	153.8	164.8	470.9
Net Income Attributable to Shareholders (% to Sales)	1.2%	1.3%	4.4%
Return on Average Equity	3.1%	3.1%	8.9%
Return on Average Assets	3.0%	3.0%	5.5%
Earnings per Share*	0.4	0.4	1.2
Debt to Equity Ratio	0.8	0.7	0.7
Asset-to-Equity Ratio	1.8	1.7	1.7
Book Value Per Share*	12.2	12.9	13.4

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

**Total Number of Shares (weighted average) as of December 31, 2022—400,161,134 (2021—401,895,091; 2020—402,750,699)*

CASH FLOWS

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

	For the years ended December 31		
	2022	2021	2020
Net cash flows provided by (used in) operating activities	278.0	500.2	2,240.9
Net cash flows used in investing activities	37.8	83.8	98.4
Net cash flows used in financing activities	1,071.3	884.0	760.9
Net increase (decrease) in cash and cash equivalents	(831.0)	(467.5)	1,381.6

The net cash flows provided by operating activities for the year ended 2022 amounted to ₱0.2 billion composed of income before provision for income tax of ₱0.6 billion, excluding adjustments, changes in working capital, interest received and including actual income tax paid. The decrease in cash flow from operating activities was due to buildup of inventory and higher settlement of payables.

The net cash flows used in investing activities for the year ended 2022 were at ₱0.04 billion, mainly for the acquisition of property and equipment relative to the acquisition of shares in Tenex.

The net cash flows used in financing activities for the year ended 2022 were at ₱1.1 billion, relating to dividend payout, short-term borrowings, lease liabilities and acquisition of treasury shares.

INDEBTEDNESS

The Company did not have long-term borrowings as of December 31, 2022.

CAPITAL EXPENDITURES

The Company makes regular capital expenditures annually to support its business goals and objectives, investing in the on-going upgrade, expansion and maintenance of its property and equipment relating primarily to machinery and equipment, office equipment and leasehold and building improvements. The Company has historically funded its capital expenditures primarily through working capital derived from operating income.

As of December 31, 2022, CIC's capital expenditures totaled to ₱2.3 billion. Of that amount, the majority was spent on machinery and equipment, accounting for 60% of the total.

General Information Sheet and Consolidated Financial Statements

GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2022

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. DO NOT LEAVE ANY ITEM BLANK. WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE CORPORATE SECRETARY OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

=============== PLEASE PRINT LEGIBLY ===============

CORPORATE NAME: CONCEPCION INDUSTRIAL CORPORATION	**DATE REGISTERED:** 7/17/1997
BUSINESS/TRADE NAME: N/A	**FISCAL YEAR END:** December 31
SEC REGISTRATION NUMBER: A1997-13456	
DATE OF ANNUAL MEETING PER BY-LAWS: THIRD WEDNESDAY OF JULY	**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 005 029-401
ACTUAL DATE OF ANNUAL MEETING: 20-Jul-22	**WEBSITE/URL ADDRESS:** http://www.cic.ph
COMPLETE PRINCIPAL OFFICE ADDRESS: 308 SEN. GIL PUYAT AVENUE, MAKATI CITY	**E-MAIL ADDRESS:** investorrelations@cic.ph
COMPLETE BUSINESS ADDRESS: 308 SEN. GIL PUYAT AVENUE, MAKATI CITY	**FAX NUMBER:** 8809-9998

OFFICIAL E-MAIL ADDRESS	ALTERNATE E-MAIL ADDRESS	OFFICIAL MOBILE NUMBER	ALTERNATE MOBILE NUMBER
sec_cic_2nd@cic.ph	sec_cic_2nd@cic.ph	+639178424881	+639985843327

NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER:	SEC ACCREDITATION NUMBER (if applicable):	TELEPHONE NUMBER(S):
Isla Lipana & Co. - Cherrylin M. Javier	0009-FR-5/0054-AR-5	8772-9998
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN:	**INDUSTRY CLASSIFICATION:**	**GEOGRAPHICAL CODE:**
Holding Company	Holding Company	N/A

=============== INTERCOMPANY AFFILIATIONS ===============

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Foresight Realty & Development Corporation	63522	308 Sen. Gil J. Puyat Ave., Makati City
Hy-Land Realty and Development Corporation	65012	308 Sen. Gil J. Puyat Ave., Makati City
Horizons Realty, Inc.	67633	RFM Corp. Center, Pioneer cor. Sheridan Sts. Mandaluyong City
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
See Annex A		

NOTE: USE ADDITIONAL SHEET IF NECESSARY

XCK(v.2020)

Page 1

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ **PLEASE PRINT LEGIBLY** ================================

Corporate Name: CONCEPCION INDUSTRIAL CORPORATION

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ◉ No

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☑ None of the above

Describe nature of business: Holding Company

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ◉ No

GIS_STOCK(v.2020) Page 2

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ **PLEASE PRINT LEGIBLY** ================================

CORPORATE NAME: CONCEPCION INDUSTRIAL CORPORATION

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	common	700,000,000	1.00	700,000,000.00
	TOTAL	700,000,000	TOTAL P	700,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	25	common	323,312,181		1.00	323,312,181.00	79.39%
		TOTAL	323,312,181	TOTAL	TOTAL P	323,312,181.00	79.39%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
Non-Filipino	1	common	83,951,710		1.00	83,951,710.00	20.61%
Percentage of Foreign Equity :		TOTAL	83,951,710	TOTAL	TOTAL P	83,951,710.00	20.61%
					TOTAL SUBSCRIBED P	407,263,891.00	100.00

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	26	common	323,312,181	1.00	323,312,181.00	78.92%
		TOTAL	323,312,181	TOTAL P	323,312,181.00	78.92%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
Non-Filipino	1	common	83,951,710	1.00	83,951,710.00	20.61%
		TOTAL	83,951,710	TOTAL P	83,951,710.00	20.61%
				TOTAL PAID-UP P	407,263,891.00	100.00

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

GIS_STOCK (v.2020) Page 3

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME: CONCEPCION INDUSTRIAL CORPORATION

DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. RAUL JOSEPH A. CONCEPCION [redacted]	Filipino	Y	C	M	Y	Chairman/ President	E/C N/M	[redacted]
2. RENNA C. HECHANOVA-ANGELES [redacted]	Filipino	Y	M	F	Y	Vice Chairman/ Treasurer	E/M N/M	[redacted]
3. RAUL ANTHONY A. CONCEPCION [redacted]	Filipino	N	M	M	Y	Vice Chairman	E/M	[redacted]
4. MA. VICTORIA HERMINIA C. YOUNG [redacted]	Filipino	N	M	F	Y	N/A	A/M	[redacted]
5. JOSE MA. A. CONCEPCION [redacted]	Filipino	N	M	M	Y	N/A	C/M	[redacted]
6. RAISSA C. HECHANOVA-POSADAS [redacted]	Filipino	N	M	F	Y	N/A	A/M	[redacted]
7. CESAR A. BUENAVENTURA [redacted]	Filipino	N	I	M	Y	N/A	C/C N/C A/M	[redacted]
8. JUSTO A. ORTIZ [redacted]	Filipino	N	I	M	Y	N/A	A/M N/M	[redacted]
9. RAFAEL C. HECHANOVA [redacted]	Filipino	Y		M	Y	Executive VP		[redacted]
10. LUIS Y. BENITEZ JR. [redacted]	Filipino	N	I	M	Y	N/A	A/C N/M	[redacted]
11. RAJAN KOMARASU [redacted]	Singaporean	N	N	M	Y	Chief Finance and Operating Officer		[redacted]
12. MARIA VICTORIA A. BETITA [redacted]	Filipino	N	N	F	Y	Chief Strategy and Transformation Officer		[redacted]
13. OMAR C. TACCAD [redacted]	Filipino	N	M	M	N	Chief Compliance Officer/ Chief Legal Counsel		[redacted]
14. JAYSON L. FERNANDEZ [redacted]	Filipino	N	N	M	N	Corporate Secretary		[redacted]
15. ROXANNE VIEL C. SANTOS [redacted]	Filipino	N	N	F	N	Asst. Corporate Secretary		[redacted]
16. MA. CRISTINA MILLARES LLEVA [redacted]	Filipino	N	N	F	N	Head of Investor Relation		[redacted]

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

IS_STOCK (v.2020) Page 4

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME:	CONCEPCION INDUSTRIAL CORPORATION		
TOTAL NUMBER OF STOCKHOLDERS:	26	NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:	15
TOTAL ASSETS BASED ON LATEST AUDITED FS:	PHP12,137,786.00		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP	AMOUNT PAID (PhP)	TAX IDENTIFCATION NUMBER
1 PCD NOMINEE CORPORATION	common	235,870,837	235,870,837.00	58%	235,870,837.00	Various Stockholders
Filipino 37th Floor, Enterprise Centre, 6766 Ayala Avenue, Makati City	TOTAL	235,870,837	235,870,837.00			
3. HORIZONS REALTY, INC.	common	90,045,026	90,045,026.00	22%	85,545,026.00	000-604-000
Filipino RFM Corp. Center, Pioneer cor. Sheridan Sts., Mandaluyong City	TOTAL	90,045,026	90,045,026.00			
2. PCD NOMINEE CORPORATION	common	84,053,407	84,053,407.00	21%	84,053,407.00	Various Stockholders
Non-Filipino 37th Floor, Enterprise Centre, 6766 Ayala Avenue, Makati City	TOTAL	84,053,407	84,053,407.00			
4. SOLE LUNA INC.	common	998,963	998,963.00	0.25%	998,963.00	223-437-058
Filipino 11 Kawayan Rd. North Forbes Park, Makati City	TOTAL	998,963	998,963.00			
5. MACRIC INCORPORATED	common	786,669	786,669.00	0.19%	786,669.00	223-436-644
Filipino 11 Kawayan Rd. North Forbes Park, Makati City	TOTAL	786,669	786,669.00			
6. GEMILIANO S. MANALILI &/OR ALMA B.	common	2,400	2,400.00		2,400.00	[redacted]
Filipino [redacted]	TOTAL	2,400	2,400.00			
7. JOHN T. LAO	common	1,560	1,560.00		1,560.00	[redacted]
Filipino [redacted]	TOTAL	1,560	1,560.00			
8 GABRIELLE CLAUDIA F. HERRERA	common	1,100	1,100.00		1,100.00	[redacted]
Filipino [redacted]	TOTAL	1,100	1,100.00			
9 JOSELITO CORPUS HERRERA	common	1,100	1,100.00		1,100.00	[redacted]
Filipino [redacted]	TOTAL	1,100	1,100.00			
10 NADEZHDA ISKRA FERRANCO HERRERA	common	1,100	1,100.00		1,100.00	[redacted]
Filipino [redacted]	Total	1,100	1,100.00			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			407,263,891.00		407,263,891.00	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities.

GIS_STOCK (v.2020) Page 5

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== PLEASE PRINT LEGIBLY ===================================

CORPORATE NAME:	CONCEPCION INDUSTRIAL CORPORATION		
TOTAL NUMBER OF STOCKHOLDERS:	26	NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:	15
TOTAL ASSETS BASED ON LATEST AUDITED FS:	PHP12,137,786.00		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFCATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
11 MARY JOAN ILAO-ANTE Filipino [redacted]	common	780	780.00		780.00	[redacted]
	TOTAL	780	780.00			
12 HANSON CHUA GO Filipino [redacted]	common	324	324.00		324.00	[redacted]
	TOTAL	324	324.00			
13. ANGELO DECRETALES MABUNAY Filipino [redacted]	common	324	324.00		324.00	[redacted]
	TOTAL	324	324.00			
14. JESUS SAN LUIS VALENCIA Filipino [redacted]	common	156	156.00		156.00	[redacted]
	TOTAL	156	156.00			
15. JAYBEE C. BARAQUEL Filipino [redacted]	common	100	100.00		100.00	[redacted]
	TOTAL	100	100.00			
16 OWEN NATHANIEL S. AU ITF: LI MARCUS AU Filipino [redacted]	common	16	16.00		100.00	[redacted]
	TOTAL	16	16.00			
17 CESAR A. BUENAVENTURA Filipino [redacted]	common	3	3.00		3.00	[redacted]
	TOTAL	3	3.00			
18 ALFRED REITERER Australian [redacted]	common	3	3.00		3.00	[redacted]
	TOTAL	3	3.00			
19 JOSE MA. A. CONCEPCION III Filipino [redacted]	common	3	3.00		3.00	[redacted]
	TOTAL	3	3.00			
20 MA. VICTORIA HERMINIA C. YOUNG Filipino [redacted]	common	3	3.00		3.00	[redacted]
	TOTAL	3	3.00			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			407,263,891.00		407,263,891.00	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting

GIS_STOCK (v.2020) Page 6

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== PLEASE PRINT LEGIBLY ===================================

CORPORATE NAME:	CONCEPCION INDUSTRIAL CORPORATION		
TOTAL NUMBER OF STOCKHOLDERS:	26	NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:	15
TOTAL ASSETS BASED ON LATEST AUDITED FS:	PHP12,137,786.00		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFCATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
21 OTHERS (Indicate the number of remaining 6 remaining stockholders		17	17.00		17.00	Various Stockholders
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			407,263,891.00		407,263,891.00	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting

GIS_STOCK (v.2020) Page 7

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME:	CONCEPCION INDUSTRIAL CORPORATION	
1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N/A	N/A
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N/A	N/A
1.3 LOANS/ CREDITS/ ADVANCES	N/A	N/A
1.4 GOVERNMENT TREASURY BILLS	N/A	N/A
1.5 OTHERS	N/A	N/A

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
	NONE	NONE
3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	7,848,400	1.93%

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR: NONE

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	P401,655,091.00	Feb. 16, 2022
5.2 STOCK		
5.3 PROPERTY		
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N/A	N/A	N/A
DATE ISSUED:	N/A	N/A	N/A
DATE STARTED OPERATIONS:	N/A	N/A	N/A

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
10,828,360.48	11	2	7

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GIS_STOCK (v.2020) Page 8

I, **JAYSON L. FERNANDEZ**, Corporate Secretary of **CONCEPCION INDUSTRIAL CORPORATION** declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this _____ day of MAR 10 2023, 20 ____ in MAKATI CITY.

JAYSON L. FERNANDEZ
(Signature over printed name)

SUBSCRIBED AND SWORN TO before me in Makati City on MAR 10 2023 by affiant who personally appeared before me and exhibited to me his/her competent evidence of identity consisting of Passport No. [redacted]

No. 306
Page No. 63
Book No. I
Series of 2023

NOTARY PUBLIC

ATTY. ARNOLD JANSEN V. SANTOS
Commission No.M-282
Notary Public for Makati City
Until December 31,2023
21st Floor, Philamlife Tower
8767 Paseo de Roxas Makati City
Roll No.69644
PTR No.9567135 / 4-Jan-2023 / Makati City
IBP No.180291 / 23-Nov.2022 (for 2023) / Makati City
MCLE Compliance No.VII-0011048

GIS_STOCK(V.2020) Page 9

BACK TO TABLE OF CONTENTS

BENEFICIAL OWNERSHIP DECLARATION
FOR THE YEAI 2022

SEC REGISTRATION NUMBER: A1997-13456
CORPORATE NAME: CONCEPCION INDUSTRIAL CORPORATION

Instructions:

1. Identify the Beneficial Owner/s of the corporation as described in the Categories of Beneficial Ownership in items A to I below. List down as many as you can identify. You may use an additional sheet if necessary.
2. Fill in the required information on the beneficial owner in the fields provided for.
3. In the "Category of Beneficial Ownership" column, indicate the letter(s) corresponding thereto. In the event that the person identified as beneficial owner falls under several categories, indicate all the letters corresponding to such categories.
4. If the category is under letter "I", indicate the position held (i.e., Director/Trustee, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, etc.).
5. Do not leave any item blank. Write "N/A" if the information required is not applicable or "NONE" if non-existent.

"**Beneficial Owner**" refers to any natural person(s) who ultimately own(s) or control(s) or exercise(s) ultimate effective control over the corporation. This definition covers the natural person(s) who actually own or control the corporation as distinguished from the legal owners. Such beneficial ownership may be determined on the basis of the following:

Category	Description
A	Natural person(s) owning, directly or indirectly or through a chain of ownership, at least twenty-five percent (25%) of the voting rights, voting shares or capital of the reporting corporation.
B	Natural person(s) who exercise control over the reporting corporation, alone or together with others, through any contract, understanding, relationship, intermediary or tiered entity.
C	Natural person(s) having the ability to elect a majority of the board of directors/trustees, or any similar body, of the corporation.
D	Natural person(s) having the ability to exert a dominant influence over the management or policies of the corporation.
E	Natural person(s) whose directions, instructions, or wishes in conducting the affairs of the corporation are carried out by majority of the members of the board of directors of such corporation who are accustomed or under an obligation to act in accordance with such person's directions, instructions or wishes.
F	Natural person(s) acting as stewards of the properties of corporations, where such properties are under the care or administration of said natural person(s).
G	Natural person(s) who actually own or control the reporting corporation through nominee shareholders or nominee directors acting for or on behalf of such natural persons.
H	Natural person(s) ultimately owning or controlling or exercising ultimate effective control over the corporation through other means not falling under any of the foregoing categories.
I	Natural person(s) exercising control through positions held within a corporation (i.e., responsible for strategic decisions that fundamentally affect the business practices or general direction of the corporation such as the members of the board of directors or trustees or similar body within the corporation; or exercising executive control over the daily or regular affairs of the corporation through a senior management position). This category is only applicable in exceptional cases where no natural person is identifiable who ultimately owns or exerts control over the corporation, the reporting corporation having exhausted all reasonable means of identification and provided there are no grounds for suspicion.

COMPLETE NAME (Surname, Given Name, Middle Name, Name Extension (i.e., Jr., Sr., III)	SPECIFIC RESIDENTIAL ADDRESS	NATIONALITY	DATE OF BIRTH	TAX IDENTIFICATION NO.	% OF OWNERSHIP[1] / % OF VOTING RIGHTS[2]	TYPE OF BENEFICIAL OWNER[3] Direct (D) or Indirect (I)	CATEGORY OF BENEFICIAL OWNERSHIP
Raul Joseph A. Concepcion	[redacted]	Filipino	[redacted]	[redacted]	0.00%	D	I (Director)
Renna C. Hechanova-Angeles	[redacted]	Filipino	[redacted]	[redacted]	0.00%	D	I (Director)
Raul Anthony A. Concepcion	[redacted]	Filipino	[redacted]	[redacted]	0.00%	D	I (Director)
Jose Ma. A. Concepcion	[redacted]	Filipino	[redacted]	[redacted]	0.00%	D	I (Director)
Ma. Victoria Herminia C. Young	[redacted]	Filipino	[redacted]	[redacted]	0.00%	D	I (Director)
Raissa C. Hechanova-Posadas	[redacted]	Filipino	[redacted]	[redacted]	0.00%	D	I (Director)

Note: This page is not for uploading on the SEC iView.

[1] For Stock Corporations.
[2] For Non-Stock Corporations.
[3] For Stock Corporations.

GIS_FOREIGN (v.2020)

Annex "A"
Intercompany Affiliations (Subsidiaries and/or Affiliates)

SUBSIDIARY/AFFILIATE	SEC REGISTRATION NO.	ADDRESS
Concepcion Carrier Airconditioning Corp.	A199723014	Km. 20 East Service Rd., Alabang, Muntinlupa City
Concepcion Durables, Inc.	CS200619516	308 Sen. Gil J. Puyat Ave., Makati City
Concepcion Midea, Inc.	CS201309735	Km. 20 East Service Rd., Alabang, Muntinlupa City
Concepcion Otis Philippines, Inc.	A1998000755	21/F BPI-Philam Life Building 6811 Ayala Avenue, Makati City
Concepcion Business Services, Inc.	CS201605880	Km. 20 East Service Rd., Alabang, Muntinlupa City
Cortex Technologies Corporation	CS201719893	Km. 20 East Service Rd., Alabang, Muntinlupa City
Alstra, Inc.	CS21822858	Km. 20 East Service Rd., Alabang, Muntinlupa City
Teko Solutions Asia, Inc.	CS201729733	Unit 705 Common Goal Tower Finance Cor. Industry St., Madrigal Business Park, Ayala Alabang, Muntinlupa City

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Concepcion Industrial Corporation and Subsidiaries

Consolidated Financial Statements
As at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022

Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

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

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Concepcion Industrial Corporation and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2022;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2022;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2022; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for our Opinion

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

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

Independence

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

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

Our Audit Approach

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

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

Key Audit Matters

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

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

KAM	How our audit addressed the KAM
Impairment of goodwill The Group has goodwill arising from its acquisition of Concepcion-Otis Philippines, Inc. (COPI) in 2014, acquisition of Teko Solutions Asia, Inc. (Teko) in 2018 and acquisition of additional shares of Tenex Services, Inc. ("Tenex") in 2022. Under PFRS, the amount of goodwill is required to be tested annually for impairment. This annual impairment test was significant to our audit since the related goodwill amounting to P806.682 million and P802.362 million as at December 31, 2022 and 2021, respectively, is material to the consolidated financial statements. In addition, management's assessment process is complex and is based on management judgment and assumptions, specifically average revenue growth rate and pre-tax adjusted discount rate, which are affected by expected future market or economic conditions.	We addressed the matter by assessing the appropriateness of the work performed by management's third-party valuation expert to assist us in evaluating the assumptions and methodologies used in management's valuation. We involved our internal expert in validating the methodology and assumptions adopted by management. We found the methodology used in valuation to be consistent with those used in the industry and with prior periods. The procedures performed to assess the reasonableness of management's assumptions include, among others, the following: • Forecasted revenue growth We compared the average historical increase in revenue from actual past results of operations and growth rate of the elevator and escalator industry, and the technology industry. We also assessed revenue growth based on the Company's ongoing projects, projects commencing in 2023 and the impact of the COVID-19 pandemic on such projects. Based on this work, we found the assumptions used to be aligned with historical experience and industry outlook.

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

KAM	How our audit addressed the KAM
Note 27.2.1 to the financial statements presents management's disclosures on the judgments and estimates applied in assessing impairment of goodwill.	• Pre-tax adjusted discount rate We compared the discount rate used against our internally developed benchmarks and our recalculation of the Group's weighted average cost of capital. The discount rate used by management was consistent with the weighted average cost of capital of comparable companies. We evaluated the competence, capabilities and objectivity of the third-party valuation expert engaged by the Group, and our internal expert.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A was obtained prior to the date of the audit report while the SEC Form 20-IS and the Annual Report are expected to be made available to us after the date of this auditor's report.

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

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

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

When we read other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required by Securities Regulation Code 68, to the Securities and Exchange Commission.

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

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

Isla Lipana & Co.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Imelda Ronnie de Guzman-Castro.

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner
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valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
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T.I.N. 152-015-095
BIR A.N. 08-000745-044-2021, issued on September 16, 2021; effective until September 15, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 29, 2023

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Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Concepcion Industrial Corporation and its subsidiaries (the "Group") as at and for the year ended December 31, 2022, on which we have rendered the attached report dated March 29, 2023. The supplementary information shown in Annex 68-D: Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration, and A Map Showing Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates as required by Part I Section 5 and Schedules A, B, C, D, E, F, and G as required by Part II Section 6 of Rule 68 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information and schedules are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information and schedules have been prepared in accordance with Rule 68 of the Securities Regulation Code.

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Independent Auditor's Report on
Components of Financial Soundness Indicators

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Concepcion Industrial Corporation and its subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 29, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for the years then ended and no material exceptions were noted.

Isla Lipana & Co.

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BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 29, 2023

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in thousand Philippine Peso)

	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	2	1,688,163	2,518,403
Trade and other receivables, net	3	3,455,147	3,462,954
Contract assets	15	781,668	493,563
Inventories, net	4	3,161,979	2,968,596
Prepayments and other current assets		115,697	124,067
Total current assets		9,202,654	9,567,583
Non-current assets			
Property and equipment, net	5	474,515	564,978
Investment property	6	40,255	40,255
Investment in associates	7	90,009	128,752
Intangible assets, net	8	135,843	164,525
Goodwill	8	806,682	802,362
Right-of-use assets, net	19	360,096	435,605
Deferred income tax assets, net	9	579,879	555,825
Other non-current assets		80,783	64,103
Total non-current assets		2,568,062	2,756,405
Total assets		11,770,716	12,323,988
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other liabilities	10	3,896,259	3,930,388
Short-term borrowings	13	114,000	250,000
Lease liabilities	19	136,873	107,384
Provision for warranty	11	68,077	56,345
Other provisions	12	38,691	15,760
Income tax payable		-	11,116
Total current liabilities		4,253,900	4,370,993
Non-current liabilities			
Retirement benefit obligation	20	570,502	555,838
Lease liabilities	19	241,914	348,752
Provision for warranty	11	5,941	5,199
Total non-current liabilities		818,357	909,789
Total liabilities		5,072,257	5,280,782
Equity			
Attributable to owners of the Parent Company			
Share capital	21	407,264	407,264
Share premium	21	993,243	993,243
Treasury shares	21	(241,464)	(172,108)
Retained earnings		3,765,573	4,013,851
Other comprehensive loss		(51,816)	(55,913)
		4,872,800	5,186,337
Non-controlling interest		1,825,659	1,856,869
Total equity		6,698,459	7,043,206
Total liabilities and equity		11,770,716	12,323,988

The notes on pages 1 to 70 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2022
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2022	2021	2020
Net sale of goods	15	12,235,287	11,924,459	10,549,750
Sale of services	15	939,786	314,780	215,170
Net sales		13,175,073	12,239,239	10,764,920
Cost of sales and services	16	(9,119,396)	(8,173,810)	(6,837,136)
Gross profit		4,055,677	4,065,429	3,927,784
Operating expenses	17	(3,359,970)	(3,411,506)	(2,972,416)
Other operating income (loss), net	18	(65,934)	(15,074)	84,963
Operating income		629,773	638,849	1,040,331
Interest expense	13, 19	(32,530)	(23,832)	(28,057)
Income before share in net income (loss) of associates and income tax		597,243	615,017	1,012,274
Share in net income (loss) of associates	7	(31,996)	(22,513)	22,999
Income before income tax		565,247	592,504	1,035,273
Income tax expense	9	(207,183)	(214,409)	(348,719)
Net income for the year		358,064	378,095	686,554
Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefits, net of tax	7, 20	6,938	42,112	(5,806)
Total comprehensive income for the year		365,002	420,207	680,748
Net income attributable to:				
Owners of the Parent Company		153,836	164,750	470,918
Non-controlling interest		204,228	213,345	215,636
		358,064	378,095	686,554
Total comprehensive income attributable to:				
Owners of the Parent Company		158,126	195,105	471,754
Non-controlling interest		206,876	225,102	208,994
		365,002	420,207	680,748
Earnings per share - basic and diluted	22	0.38	0.41	1.17

The notes on pages 1 to 70 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2022
(All amount in thousand Philippine Peso)

		Attributable to owners of the Parent Company						
	Notes	Share capital	Share premium	Treasury shares	Retained earnings	Other comprehensive income (loss)	Non-controlling interest	Total
Notes		21	21	21	21		7	
Balances as at January 1, 2020		407,264	993,243	(146,528)	4,063,053	(87,105)	2,037,359	7,267,286
Comprehensive income (loss)								
Net income for the year		-	-	-	470,918	-	215,636	686,554
Remeasurement loss on retirement benefits, net of tax		-	-	-	-	836	(6,642)	(5,806)
Total comprehensive income (loss) for the year		-	-	-	470,918	836	208,994	680,748
Transactions with owners								
Ownership changes in non-controlling interest	7	-	-	-	(662)	-	(6,341)	(7,003)
Cash dividends declared		-	-	-	(282,253)	-	(341,680)	(623,933)
Treasury shares		-	-	(23,540)	-	-	-	(23,540)
Total transactions with owners		-	-	(23,540)	(282,915)	-	(348,021)	(654,476)
Balances as at December 31, 2020		407,264	993,243	(170,068)	4,251,056	(86,269)	1,898,332	7,293,558
Comprehensive income								
Net income for the year		-	-	-	164,750	-	213,345	378,095
Remeasurement gain on retirement benefits, net of tax		-	-	-	-	30,356	11,756	42,112
Total comprehensive income for the year		-	-	-	164,750	30,356	225,101	420,207
Transactions with owners								
Cash dividends declared		-	-	-	(401,955)	-	(266,564)	(668,519)
Treasury shares		-	-	(2,040)	-	-	-	(2,040)
Total transactions with owners		-	-	(2,040)	(401,955)	-	(266,564)	(670,559)
Balances as at December 31, 2021		407,264	993,243	(172,108)	4,013,851	(55,913)	1,856,869	7,043,206
Comprehensive income								
Net income for the year		-			153,836		204,228	358,064
Remeasurement gain on retirement benefits, net of tax						4,289	2,649	6,938
Total comprehensive income for the year		-	-	-	153,836	4,289	206,877	365,002
Transactions with owners								
Adjustment due to change in ownership	7	-	-	-	(259)	(192)	3,213	2,762
Cash dividends declared		-	-	-	(401,855)	-	(241,300)	(643,155)
Treasury shares			-	(69,356)	-	-	-	(69,356)
Total transactions with owners		-	-	(69,356)	(402,114)	(192)	(238,087)	(709,749)
Balances as at December 31, 2022		407,264	993,243	(241,464)	3,765,573	(51,816)	1,825,659	6,698,459

The notes on pages 1 to 70 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2022
(All amounts in thousand Philippine Peso)

	Notes	2022	2021	2020
Cash flows from operating activities				
Income before income tax		565,247	592,504	1,035,273
Adjustments for:				
Provisions for:				
Volume rebates, trade discounts and other incentives	3	682,500	954,402	618,039
Warranty cost	11	147,668	132,487	134,160
Inventory obsolescence	4	16,329	31,984	36,977
Commission	12	26,728	14,914	17,224
Impairment of receivables	3	3,026	11,858	77,917
Contingencies	12	27,054	11,120	28,113
Amortization of right-of-use assets	19	190,270	249,963	238,679
Retirement benefit expense	20	110,872	228,389	89,982
Depreciation and amortization of property and equipment	5	151,365	151,340	138,239
Amortization of intangible assets	8	28,397	32,052	28,859
Interest expense	13, 19	32,530	23,832	28,057
Share in net loss (income) of associates	7	31,996	22,513	(22,999)
Unrealized foreign exchange losses (gains)	25	(13,532)	12,014	(48,776)
Interest income on bank deposits, short-term placements	18	(8,493)	(5,483)	(12,108)
Loss on disposal of property and equipment	18	62	160	562
Operating income before working capital changes		1,992,019	2,464,049	2,388,198
Changes in:				
Trade and other receivables		(903,832)	(633,274)	55,389
Inventories		(208,707)	(538,563)	(166,297)
Prepayments and other current assets		(55,051)	44,809	(72,385)
Other non-current assets		(16,376)	(5,968)	108,980
Trade payables and other liabilities		(86,084)	(67,412)	364,234
Cash generated from operations		721,969	1,263,641	2,678,119
Income tax paid		(182,621)	(465,298)	(274,267)
Payments of provision for warranty cost	11	(137,217)	(148,499)	(92,023)
Payments of other provisions	12	(30,851)	(59,997)	(37,972)
Retirement contributions/ benefits directly paid by the Group/ settlements paid from book reserved	20	(95,692)	(92,305)	(36,075)
Interest received on bank deposits		2,432	2,698	3,090
Net cash provided by operating activities		278,020	500,240	2,240,872
Cash flows from investing activities				
Interest received from short-term placements and loans to a related party		8,939	3,689	9,018
Proceeds from disposal of property and equipment		415	-	-
Payments for investments in shares of stock	7	-	-	(6,066)
Additions to property and equipment	5	(58,381)	(81,119)	(95,025)
Additions to intangibles	8	-	(6,333)	(6,311)
Acquisition of subsidiary, net of cash	7	11,254	-	-
Net cash used in investing activities		(37,773)	(83,763)	(98,384)
Cash flows from financing activities				
Proceeds from short-term borrowings	13	150,000	60,000	145,000
Payments of short-term borrowings	13	(286,000)	-	-
Cash distributions of profits	21	(643,155)	(668,519)	(623,933)
Principal repayment of lease liabilities	19	(190,280)	(249,575)	(230,349)
Interest paid on lease liabilities	19	(18,087)	(12,329)	(21,530)
Interest paid on short-term borrowings	13	(14,393)	(11,503)	(6,527)
Acquisitions of treasury shares	21	(69,356)	(2,040)	(23,540)
Net cash used in financing activities		(1,071,271)	(883,966)	(760,879)
Net increase (decrease) in cash and cash equivalents		(831,024)	(467,489)	1,381,609
Cash and cash equivalents as at January 1		2,518,403	2,986,668	1,606,096
Effects of foreign exchange rate changes on cash and cash equivalents		784	(776)	(1,037)
Cash and cash equivalents as at December 31	2	1,688,163	2,518,403	2,986,668

The notes on pages 1 to 70 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2022 and 2021 and for each of the
three years in the period ended December 31, 2022
(All amounts are shown in thousand Philippine Peso except number of shares,
per share amounts and unless otherwise stated)

Note 1 - General information

1.1 Registration and business

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

CIC and its subsidiaries are herein collectively referred to as the "Group".

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

CIC's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. As at December 31, 2022 and 2021, CIC has two (2) regular employees.

1.2 Significant business developments

Cortex Technologies Corporation (CTC)

On December 19, 2019, the BOD approved the proposed increase in authorized share capital of CTC from 200 million shares to 450 million shares at P1 par value per share. The application for the increase in share capital was filed with the SEC on November 3, 2021. On July 17, 2020 and February 2, 2021, the Company received deposit for future stock subscription from CIC amounting to P15.6 million and P20 million respectively. On November 9, 2021, CTC obtained the approval of the increase in share capital with the SEC. The corresponding shares relating to the deposit for future stock subscription amounting to P15.6 million were issued to CIC. As at December 31, 2022, the shares certificate for the P20.0 million subscription from CIC is still to be issued.

On July 30, 2021, CTC acquired 33% ownership interest in Teko Solutions Pte. Ltd. (Teko SG) for 1USD. Teko SG is a company incorporated in Singapore. It's purpose is to be a holding company for the regional expansion of Teko across Southeast Asia. As at December 31, 2022, Teko SG has not started commercial operations.

Alstra Incorporated (Alstra)

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 CIC, preferred shares at a premium over par value at P20 per share for a total subscription price of P915 million.

Teko Solutions Asia Inc. (Teko)

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

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

On October 1, 2020, one of the shareholders of Teko sold 1,831 shares of its ordinary shares to the CTC for a consideration of P6,066 increasing its ownership to 16,581 shares or 58% ownership. As at December 31, 2022 and 2021, transfer of share certificates is on hold and is awaiting the release of Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR).

Tenex Services, Inc. (Tenex)

On July 2, 2020, Tenex issued the 15,500 stock subscription which was considered as a non-cash transaction in the statements of cash flows. Subsequent issuance of the additional shares did not change Alstra's ownership at 49%.

On July 1, 2022, Alstra purchased 9,300,000 additional shares of stock in Tenex for a total purchase price of P9.3 million. These shares represent 31% of the issued and outstanding capital stock of Tenex. Consequent to this purchase, the equity of Alstra in Tenex increased from 49% to 80%. Tenex became a subsidiary of CIC upon the increase in ownership.

1.3 Approval of financial statements

On March 27, 2023, the Audit and Risk Oversight Committee (Audit Com) endorsed to CIC's BOD to approve and authorize the issuance of the consolidated and separate financial statements of CIC as at for the year ended December 31, 2022.

The BOD approved and authorized the issuance of the consolidated and separate financial statements of CIC for the year ended December 31, 2022 on March 29, 2023.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash on hand	1,909	65
Cash in banks	912,691	695,893
Short-term placements	773,563	1,822,445
	1,688,163	2,518,403

Cash in banks and short-term placements amounting to P1,281,305 and P404,949 (2021 - P2,222,961 and P295,377) are made with universal and commercial banks, respectively. These earn interest at the prevailing bank deposit rates. Total interest income earned from cash in banks and short-term placements amounted to P8,493 for the year ended December 31, 2022 (2021 - P5,483; 2020 - P12,108) (Note 18).

Short-term placements are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at rates ranging from 0.09% to 2.75% (2021 - 0.05% to 1.063%) (Note 18).

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

Note 3 - Trade and other receivables, net

Trade and other receivables as at December 31 consist of:

	Note	2022	2021
Trade receivables			
Third parties		3,968,815	4,007,090
Related parties	14	5,629	6,995
Provision for volume rebates, trade discounts and other incentives		(637,424)	(651,266)
Provision for impairment of receivables		(177,158)	(174,354)
Net trade receivables		3,159,862	3,188,465
Non-trade receivables, net			
Advances to/Claims from suppliers		127,204	138,510
Advances to employees		40,624	34,456
Related parties	14	46,138	16,064
Rental deposits		5,555	513
Others		75,764	84,946
Net Non-trade receivables		295,285	274,489
		3,455,147	3,462,954

(3)

Provisions

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 to 60 months before January 1, 2022 and 2021 and the corresponding historical credit losses experienced within this period.

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

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

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

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

	High performing	Underperforming		Credit impaired	
	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	
Expected loss rate	Within 0% to 12%	Within 1% to 27%	Within 1% to 27%	Within 1% to 100%	Total
2022					
Trade receivables					
Third parties	2,653,295	1,016,825	122,608	176,087	3,968,815
Related parties	5,629	-	-	-	5,629
	2,658,924	1,016,825	122,608	176,087	3,974,444
Contract assets	781,668	-	-	-	781,668
Total	3,440,592	1,016,825	122,608	176,087	4,756,112
Loss allowance	-	-	5,392	171,766	177,158
2021					
Trade receivables					
Third parties	2,332,970	1,347,996	146,177	179,947	4,007,090
Related parties	6,995	-	-	-	6,995
	2,339,965	1,347,996	146,177	179,947	4,014,085
Contract assets	493,563	-	-	-	493,563
Total	2,833,528	1,347,996	146,177	179,947	4,507,648
Loss allowance	-	-	5,117	169,237	174,354

Advances to employees are realized through salary deductions. Rental deposits are expected to be applied to future lease obligations. All these accounts, including non-trade receivables from related parties, and other receivables do not contain impaired assets and are not past due.

(4)

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

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

	Note	2022	2021
Beginning		174,354	165,601
Provisions, net of reversals	17	2,788	19,447
Write-offs		16	(10,694)
Ending		177,158	174,354

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

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

	Note	2022	2021
Beginning		651,266	386,905
Provisions	15	682,500	954,402
Charges		(696,342)	(690,041)
Ending		637,424	651,266

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

Non-trade receivables - others are presented net of the provision for impairment of receivables amounting to P2,244 (2021 - P2,006).

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

	Note	2022	2021
Beginning		2,006	9,595
Provisions (Reversals), net	17	238	(7,589)
Ending		2,244	2,006

Note 4 - Inventories, net

Inventories, net as at December 31 consist of:

	Note	2022	2021
At cost			
Raw materials		1,502,860	1,376,444
Finished goods	16	1,510,893	1,140,542
Work in process	16	572	2,587
Inventories-in-transit		167,780	460,817
Spare-parts and supplies used in business		84,171	76,174
		3,266,276	3,056,564
Provision for inventory obsolescence		(104,297)	(87,968)
		3,161,979	2,968,596

(5)

For the year ended December 31, 2022, the cost of inventories recognized as expense and included in cost of sales and services amounted to P8,335,616 (2021 - P7,613,372 ;2020 - P6,349,649) (Note 16).

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

	Notes	2022	2021
Beginning		87,968	90,904
Provisions, net	16, 17	16,329	31,984
Write-off		-	(34,920)
Ending		104,297	87,968

In 2021, the Group wrote off fully provided inventories as a result of the physical inventory count held amounting to P34.9 million. There are no write-offs in 2022.

(6)

Note 5 - Property and equipment, net

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

	Machinery and equipment	Transportation equipment	Furniture, fixtures and office equipment	Tools and equipment	Leasehold improvements	Building improvements	Construction in progress (CIP)	Total
Cost								
At January 1, 2022	1,386,187	26,051	259,215	256,552	258,559	35,409	36,723	2,258,696
Acquisition of Tenex	-	818	1,520	-	459	-	-	2,797
Additions	10,259	175	11,226	6,606	5,210	267	26,460	60,203
Retirement	(1,404)	(945)	(955)	-	(7,359)	-	-	(10,663)
Transfers/Reclassifications	5,952	2,296	16,321	6,470	9,450	-	(40,489)	-
At December 31, 2022	1,400,994	28,395	287,327	269,628	266,319	35,676	22,694	2,311,033
Accumulated depreciation								
At January 1, 2022	1,083,033	22,347	210,704	215,749	141,196	20,689	-	1,693,718
Acquisition of Tenex	-	296	923	-	402	-	-	1,621
Depreciation and amortization	62,364	3,481	25,874	24,662	31,488	3,496	-	151,365
Retirement	(1,403)	(866)	(558)		(7,359)	-	-	(10,186)
Transfers/Reclassifications	-	-	25	-	(25)	-	-	-
At December 31, 2022	1,143,994	25,258	236,968	240,411	165,702	24,185	-	1,836,518
Net book values as at December 31, 2022	257,000	3,137	50,359	29,217	100,617	11,491	22,694	474,515
Cost								
At January 1, 2021	1,323,091	23,385	219,602	229,903	237,647	28,166	117,068	2,178,862
Additions	7,475	3,216	29,624	25,605	657	2,073	12,469	81,119
Retirement	-	(550)	(735)	-	-	-	-	(1,285)
Transfers/Reclassifications	55,621	-	10,724	1,044	20,255	5,170	(92,814)	-
At December 31, 2021	1,386,187	26,051	259,215	256,552	258,559	35,409	36,723	2,258,696
Accumulated depreciation								
At January 1, 2021	1,024,084	18,809	181,323	193,553	108,548	16,612	-	1,542,929
Depreciation and amortization	58,949	3,746	29,724	22,196	32,648	4,077	-	151,340
Retirement	-	(208)	(343)	-	-	-	-	(551)
At December 31, 2021	1,083,033	22,347	210,704	215,749	141,196	20,689	-	1,693,718
Net book values as at December 31, 2021	303,154	3,704	48,511	40,803	117,363	14,720	36,723	564,978

The cost of fully depreciated property and equipment still being used by the Group as at December 31, 2022 amounted to P706,315 (2021 - P1,251,126).

(7)

In 2022, retirement and disposal of property and equipment with carrying amount of P477 (2021 - P734) resulted in a loss of P62 (2021 - P160).

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

	Notes	2022	2021	2020
Cost of sales and services	16	88,225	85,853	80,505
Operating expenses	17	63,140	65,487	57,734
		151,365	151,340	138,239

Note 6 - Investment property

As at December 31, 2022 and 2021, CIC's investment property consists of parcel of land that it acquired in Davao City, which is held for capital appreciation.

The estimated fair value of the investment property as at December 31, 2022 and 2021 amounted to P37,520, based on the last known selling price per square meter.

As at December 31, 2019 and 2018, CIC paid P1,188 and P1,547, respectively, to a sub-contractor for direct costs related to planned construction of an investment property which is booked as CIP under the investment property account. There were no further costs incurred that were considered as additions to investment property in 2021 and 2022.

There was no income earned related to the property for the years ended December 31, 2022 and 2021. Further, P31 direct operating expense for the investment property was incurred for the year ended December 31, 2022 (2021 - P29).

Note 7 - Investments in shares of stock

7.1 Associates

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

	Note	2022	2021
At cost, beginning		274,700	274,700
Change in ownership in Tenex from associate to subsidiary	1	(14,700)	-
At cost, ending		260,000	274,700
Cumulative share in total comprehensive loss, beginning		(145,948)	(122,985)
Share in net loss for the year		(31,996)	(22,513)
Share in other comprehensive income (loss) for the year		1,126	(450)
Reversal of accumulated net loss in Tenex		6,827	-
Cumulative share in total comprehensive loss, ending		(169,991)	(145,948)
		90,009	128,752

7.1.1 Concepcion Midea Inc. (CMI)

CIC has a subscription agreement with CMI, whereby the former subscribes from the increase in the authorized share capital of the latter. CMI is a Philippine entity engaged in the business of the manufacture, sale, distribution, marketing, installation and service of electronic appliance products. As at December 31, 2022 and 2021, CIC and CCAC had a total of 110 million and 150 million shares equivalent to 22% and 30% interests, respectively, in CMI making up for the Group's 40% effective interest. CMI was classified as an associate (Note 14).

(8)

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

	2022	2021
Current assets	1,460,127	1,319,933
Non-current assets	95,663	74,174
Current liabilities	(1,384,063)	(1,159,985)
Non-current liabilities	(31,371)	(36,426)
Total equity	(140,356)	(197,696)
Revenue	2,649,732	2,915,101
Net income for the year	(59,505)	(38,960)
Other comprehensive income (loss)	2,165	(866)
Total comprehensive loss	(57,340)	(39,826)
Cash provided by (used in) operating activities	25,766	(26,697)
Cash used in investing activities	(6,829)	(7,330)
Cash provided by (used in) financing activity	(26,747)	7,651

7.1.2 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, HVAC, and such other activities related thereto, such as construction and mechanical maintenance services (Note 1).

In 2022, CIC gained control over Tenex after its acquisition of additional shares (Note 7.2.4).

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

	2022	2021 (as restated)
Current assets	83,627	63,262
Non-current assets	1,345	2,969
Current liabilities	(68,129)	(47,887)
Non-current liabilities	(580)	(581)
Total equity	(16,263)	(17,763)
Revenue	62,295	73,380
Net loss for the year	(1,938)	(3,667)
Total comprehensive loss for the period	(1,500)	(3,667)
Cash provided by (used in) operating activities	3,579	(16,294)
Cash used in investing activities	(149)	(448)
Cash provided by financing activity	(1,137)	(16,742)

**The 2021 financial statements of Tenex were restated due to first time adoption of PFRS.*

As at December 31, 2022, the carrying value of NCI amounted to P6,827 (2021 - P5,775). NCI's share in net loss of Tenex amounted to P1,052 (2021 - P1,796).

7.1.3 Teko SG

Teko SG was incorporated in Singapore with the purpose to be a holding company for the regional expansion of Teko business across Southeast Asia.

Teko SG has not started commercial operations. As at and for the years ended December 31, 2022 and 2021, the transaction and balances of Teko SG are limited to cash and equity of USD3.

(9)

7.2 Subsidiaries

The subsidiaries of CIC are presented in Note 28.2.1.

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

7.2.1 CCAC

	2022	2021
Current assets	5,397,248	5,619,552
Non-current assets	820,416	870,364
Current liabilities	(2,397,904)	(2,562,592)
Non-current liabilities	(431,068)	(471,816)
Total equity	(3,388,695)	(3,455,508)
Revenue	7,666,532	7,047,279
Net income for the year	433,576	487,777
Other comprehensive income	4,860	32,423
Total comprehensive income	438,436	520,200
Cash provided by operating activities	117,006	759,306
Cash used in investing activities	(25,909)	(26,660)
Cash used in financing activities	(649,251)	(657,977)

As at December 31, 2022, the carrying value of NCI amounted to P1,942,837 (2021 - P1,769,406). Distribution of profit to NCI of CCAC amounted to P202,100 (2021 - P188,164; 2020 - P341,680) (Note 21.2).

7.2.2 COPI

	2022	2021
Current assets	954,054	882,671
Non-current assets	49,072	67,456
Current liabilities	(616,158)	(566,657)
Non-current liabilities	(3,653)	(16,507)
Total equity	(383,315)	(366,963)
Revenue	1,000,272	799,128
Net income for the year	96,184	73,336
Other comprehensive income (loss)	167	(1,878)
Total comprehensive income	96,351	71,458
Cash provided by operating activities	111,589	91,752
Cash used in investing activities	(1,068)	(17,780)
Cash used in financing activities	(93,783)	(174,979)

As at December 31, 2022, the carrying value of NCI amounted to P184,027 (2021 - P136,897). Distribution of profit to NCI by COPI in 2022 amounted to P39,200 (2021 - P78,400; 2020 - nil) (Note 21.2).

(10)

7.2.3 Teko

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.

	2022	2021
Current assets	15,361	7,819
Non-current assets	13,919	13,500
Current liabilities	(69,762)	(47,176)
Non-current liabilities	(2,632)	(2,463)
Total capital deficiency	43,114	28,320
Revenue	34,364	24,497
Net loss for the year	(15,450)	(22,623)
Other comprehensive income (loss)	656	(448)
Total comprehensive loss	(14,794)	(23,070)
Cash used in operating activities	(20,203)	(5,511)
Cash used in investing activities	(431)	(536)
Cash provided by financing activities	17,040	4,544

As at December 31, 2022, the carrying value of NCI amounted to P24,386 (2021 - P30,870). In 2022, NCI's share in net loss of Teko amounted to P6,484 (2021 - P9,495).

7.2.4 Tenex

On July 1, 2022, Alstra Inc., a wholly owned subsidiary of CIC, purchased from Mr. Joey P. Penaflor 31% of the subscribed capital of Tenex equivalent to 9.3 million shares with par value of P1 per share or P9.3 million.

The effective percentage of ownership of Alstra Inc. in Tenex increased from 49% to 80% resulting in the adoption of the accounting method from equity to cost method and the change in classification of investment from associate to subsidiary. The reversal of accumulated share in net loss of Tenex from December 31, 2019 to June 30, 2022 amounting to P6,827 (Note 7.1) was recognized upon payment of subscription of shares in July 2022.

	Amount
Purchase consideration	
Cash paid	9,300
Fair value of previous equity interest (49%)	7,872
	17,172

(11)

The assets and liabilities recognized as a result of the acquisition are as follows:

	Amount
Cash and cash equivalents	20,554
Trade and other receivables	34,783
Contract assets	4,937
Inventories	1,005
Prepayments and other current assets	153
Property and equipment, net	1,176
Other non-current assets	304
Trade payables and other liabilities	(44,824)
Provision for warranty	(2,023)
Net identifiable assets acquired	16,065
Less: Non-controlling interests	3,213
Add: Goodwill	4,320
Net assets acquired	17,172

The goodwill which is attributable to the workforce and the high profitability of the acquired business, will not be deductible for tax purposes.

The cash inflow from the acquisition as presented in the consolidated statement of cash flows is provided below:

	Amount
Inflow of cash acquired from Tenex, net of cash consideration	
Cash acquired	20,554
Less: Cash consideration	9,300
	11,254

There are no other expenses paid, contingent consideration arrangement and indemnification assets in relation to the business combination. Had the subsidiary been consolidated from January 1, 2022, revenue would have been higher by P4,643.

Note 8 - Goodwill and intangible assets, net

8.1 Goodwill

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

Goodwill resulted from CIC's acquisition of COPI in 2014, Teko in 2018 and Tenex in 2022.

For the COPI acquisition, the Group applied the proportionate interest approach to account for the resulting NCI from this business combination. The goodwill of P783,983 arising from the acquisition is attributable to an established brand, and customer and product base.

For Teko acquisition, the Group applied the proportionate interest approach to account for its NCI. The goodwill of P18,379 arising from the acquisition is attributable to Teko's web-based platforms, consisting of its website and mobile application (Note 7.2.3).

In 2022 under acquisition method, the Group recognized a goodwill of P4,320 from the acquisition of Tenex (Note 7.2.4). The Group applied the proportionate interest approach to account for its NCI.

(12)

Impairment test for goodwill

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at December 31, 2022 and 2021. The Group did not recognize impairment losses for the each of the three years in the period ended December 31, 2022 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU) (Note 27.2.1). Goodwill arising from the Group's acquisition of Tenex was assessed as not impaired since the current carrying amount approximates its fair value as at December 31, 2022.

8.2 Intangible assets, net

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

	Notes	Customer relationship	Customer backlogs	Computer software	Total
Cost					
At January 1, 2022		187,113	13,883	118,846	319,842
Adjustment		-	-	(285)	(285)
At December 31, 2022		187,113	13,883	118	319,557
Accumulated amortization					
At January 1, 2022		60,908	13,883	80,526	155,317
Amortization	16, 17	7,484	-	20,913	28,397
At December 31, 2022		68,392	13,883	101,440	183,714
Net book values at December 31, 2022		118,721	-	17,122	135,843
Cost					
At January 1, 2021		187,113	13,883	112,513	313,509
Additions		-	-	6,333	6,333
At December 31, 2021		187,113	13,883	118,846	319,842
Accumulated amortization					
At January 1, 2021		53,424	13,883	55,958	123,265
Amortization	16, 17	7,484	-	24,568	32,052
At December 31, 2021		60,908	13,883	80,526	155,317
Net book values at December 31, 2021		126,205	-	38,320	164,525

Note 9 - Deferred income tax/Provision for income tax

On March 26, 2021, Republic Act No. 11534 (RA No.11534), CREATE Act, was signed into law. The CREATE Act took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

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

PAS 12, Income Taxes, requires current and deferred taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period. Meanwhile, PAS 10, Events after the End of the Reporting Period, identifies the enactment or announcement of a change in tax rates and laws after the end of the reporting period as an example of a non-adjusting event.

As at December 31, 2020, the CREATE Act is not considered substantively enacted for financial reporting purposes. As such, corporate income tax for the year ended December 31, 2020 of CIC and its subsidiaries were measured using the RCIT rate of 30% or MCIT rate of 2%, as applicable. Appropriate adjustments were recognized in 2021. For the year ended December 31, 2021, CIC and its subsidiaries applied the RCIT rate of 20% or 25%, as applicable, and MCIT rate of 1%.

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

	2022	2021
Deferred income tax assets to be recovered within 12 months		
Provision for volume rebates, trade discounts and other incentives	159,356	162,817
Provision for impairment of receivables	44,442	44,090
Accrued employee-related costs	46,567	39,040
Provision for inventory obsolescence	26,074	21,992
Provision for warranty costs	17,019	14,127
Accrual for advertising and promotion expenses	6,595	6,762
Provision for contingencies	8,797	5,840
Accrued royalties and other liabilities	11,985	4,741
Provision for commission	2,297	3,328
Provision for customer claims	47	1,953
Unamortized past service cost	169	222
Excess of lease liabilities over right-of-use assets	168	10,974
Unrealized foreign exchange loss	1	562
	323,517	316,448
Deferred income tax assets to be recovered after 12 months		
Net operating loss carry over (NOLCO)	145,871	132,751
Retirement benefit obligation	60,076	78,441
Remeasurement loss on retirement benefits charged directly to equity	52,009	28,546
Unamortized past service cost	24,387	27,529
Excess of lease liabilities over right-of-use assets	4,429	5,946
Minimum corporate income tax (MCIT)	5,949	3,521
Provision for warranty costs	837	1,300
	293	278,034
Total deferred income tax assets	617,075	594,482
Deferred income tax liability to be settled within 12 months		
Unrealized foreign exchange gains	(3,207)	(2,666)
Deferred income tax liabilities to be settled after 12 months		
Intangible assets	(33,989)	(35,860)
Net actuarial gain charged directly to equity	-	(131)
	(33,989)	(35,991)
Total deferred income tax liabilities	(37,196)	(38,657)
Net deferred income tax assets	579,879	555,825

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

	2022	2021
NOLCO	65,684	83,557
Accrued expenses	11,100	8,351
Retirement benefit obligation	5,412	4,117
MCIT	23	639
	82,219	96,664

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

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

Details of NOLCO as at December 31 are as follows:

Year of incurrence	Year of Expiration	2022	2021
2018	2021	-	163,597
2019	2022	228,290	225,622
2020	2025	292,195	286,710
2021	2026	365,649	363,191
2022	2025	200,627	-
		1,086,761	1,039,120
Amount expired		(228,290)	(163,597)
		858,471	875,523
Effective tax rate		24.64%	24.71%
		211,555	216,308

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

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

Year incurred	Year of expiration	2022	2021
2019	2022	623	623
2020	2023	2,248	2,248
2021	2024	1,289	1,289
2022	2025	2,435	-
		6,595	4,160
Amount expired		(623)	-
		5,972	4,160

Realization of future tax benefits related to the deferred income tax assets is dependent on many factors including the ability of each entity to generate taxable income in the future. Correspondingly, the Group's management believes that related future tax benefits will be realized for all recognized deferred tax assets.

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

	Note	2022	2021
Beginning		555,825	476,526
Charged to other comprehensive income	20	(3,002)	(25,441)
Credited to profit or loss		24,629	103,455
MCIT		2,427	1,285
Ending		579,879	555,825

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

	2022	2021	2020
Current	231,812	317,864	452,508
Deferred	(24,629)	(103,455)	(103,789)
	207,183	214,409	348,719

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

	2022	2021	2020
Statutory income tax at 20% or 25%	142,921	175,840	310,582
Add (Deduct) reconciling items:			
Unrecognized NOLCO	36,371	23,899	46,588
Non-deductible expenses	3,519	13,699	5,030
Impact of change in rates	-	25,787	-
Share in net loss of associates	7,999	5,629	(6,900)
Movement of unrecognized deferred income tax assets	4,182	(8,463)	(13,080)
Unrecognized MCIT	8	(4)	15
Prior year income tax	14,289	-	9,667
Interest income subject to final tax	(2,106)	(21,978)	(3,183)
Actual provision for income tax	207,183	214,409	348,719

Note 10 - Trade payables and other liabilities

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

	Note	2022	2021
Trade payables			
Third parties		1,036,070	1,511,545
Related parties	14	260,196	90,461
		1,296,266	1,602,006
Accrued expenses			
Project costs		553,734	518,732
Outside services		282,688	243,648
Benefits of directors, officers and employees		344,238	272,559
Professional fees		56,002	45,367
Rental and utilities		53,420	46,757
Freight		48,574	42,690
Importation costs		46,177	60,525
Advertising and promotion		44,489	40,133
Repairs and maintenance		5,067	2,080
Commission		1,923	13,840
Installation and cleaning costs		126	129
Others		104,502	107,925
		1,540,940	1,394,385
Other liabilities			
Advances on sales contract		284,702	205,687
Billings in excess of costs incurred and estimated earnings on uncompleted contracts		277,572	317,271
Output value-added tax (VAT), net of input VAT		145,778	100,897
Withholding taxes and other mandatory government remittances		90,962	99,964
Related parties	14	35,140	39,684
Others		224,899	170,494
		1,059,053	933,997
		3,896,259	3,930,388

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

Billings in excess of costs incurred and estimated earnings on uncompleted contracts, which is a contract liability, represent the excess of contract billings amounting to P1,001,406 (2021 - P941,720) over the cumulative costs incurred amounting to P723,834 as at December 31, 2022 (2021 - P624,449).

Contract liabilities relate to payments received from customers in advance. It is recognized as revenue when or as the Group satisfies the performance obligation stated in the contract. The opening balances of billings in excess of costs incurred and estimated earnings on uncompleted contracts as at December 31, 2022 and 2021 amounted to P317,271 and P242,676, respectively.

Note 11 - Provision for warranty

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

11.1 Current

	2022	2021
Beginning	56,345	68,152
Provisions	141,427	124,561
Payments	(129,695)	(136,368)
Ending	68,077	56,345

11.2 Non-current

	2022	2021
Beginning	5,199	9,404
Acquisition of Tenex	2,023	-
Provisions	6,241	7,926
Payments	(7,522)	(12,131)
Ending	5,941	5,199

In 2022, provisions for warranty costs were recognized as part of operating expenses amounting to P125,093 (2021 - P129,694; 2020 - P134,160) (Note 17). In 2022, the remaining provision for warranty costs amounting to P22,575 was recognized under materials and labor on cost of services (2021 - P2,793) (Note 16).

Note 12 - Other provisions

Details of other provisions as at December 31 consist of:

	2022	2021
Contingencies	29,504	2,450
Commission	9,187	13,310
	38,691	15,760

Movements in provision for contingencies as at December 31 follow:

	Note	2022	2021
Beginning		2,450	30,763
Provisions	17	27,054	11,120
Payments		-	(39,433)
Ending		29,504	2,450

(17)

Provision for commission pertains to the incentives granted to sales employees based on a percentage of gross sales. Commissions vary depending on the serving business unit and payment is dependent on whether agreed targets are met or exceeded.

Movements in provision for commission as at December 31 follow:

	2022	2021
Beginning	13,310	18,960
Provisions	26,728	14,914
Payments	(30,851)	(20,564)
Ending	9,187	13,310

Provision for commission was recorded under personnel cost in operating expenses (Note 17). Provision for commission is expected to be settled within twelve (12) months after the reporting date and payment is dependent on whether sales targets are met or exceeded.

Note 13 - Short-term borrowings

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

	2022	2021
Beginning	250,000	190,000
Availments	150,000	60,000
Payments	(286,000)	-
Ending	114,000	250,000

As at December 31, 2022, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months at 5.35% to 7.25% (2021 - 5.25%). Interest expenses on borrowings recognized during the year amounted to P14,443, and paid P14,393 (2021 - P11,503; 2020 - P6,527).

There were no non-cash movements on borrowings for the years ended 2022 and 2021. Net asset after deducting cash and cash equivalents amounting to P1,688,163 (2021 - P2,518,403; 2020 - P2,986,668) from the balance of short-term borrowings amounted to P1,574,163 (2021 - P2,268,403; 2020 - P2,796,668).

(18)

Note 14 - Related party transactions

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

	2022		2021		2020		
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Terms and conditions
Shareholders							
Rent and utilities	62,495	(7,597)	56,933	-	60,666	(2)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Lease of warehouse	42,589	-	36,047	-	42,129	-	
Advance rental	-	-	1,683	-	2,730	-	Refer to Note 19.
Security deposit	-	-	1,493	-	2,671	-	Refer to Note 19.
Dividends declaration	-	-	401,955	-	282,253	-	Refer to Note 21.2.
Reimbursements from shareholders	368	613	594	866	303	303	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/ payable in cash, non-interest bearing and unsecured.
Reimbursements to shareholders	1,157	(1,157)	1,157	-	-	(1,157)	
Associate							
Administrative services	24,774	4,542	22,180	2,058	21,454	2,728	Outstanding receivables are due within 30 to 60 days from transaction date. These are collectible in cash, non-interest bearing and unsecured.
Transfer of employees	-	-	-	-	110	(110)	Benefits due to the employee transferred up to date of transfer will be paid by the former employer to the receiving company. Outstanding receivables/payables are due within one year from transaction date. The balance is collectible/payable in cash, non-interest bearing and unsecured.
Transfer of employees	7,961	7,844	2,763	(2,763)	2,537	2,687	
Purchase of goods, net of returns	2,637	(2,000)	16,280	(27)	17,236	(1,877)	Outstanding payables are due within 30 to 90 days from transaction date. These are payable in cash, non-interest bearing and unsecured in nature. These receivables are unsecured and non-interest bearing.
Sale of goods	1,645	1,087	8,143	4,937	2,773	1,053	The outstanding receivables (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale.
Product loan	-	-	94	(94)	270	-	Payable within the next 12 months after invoice date. Unsecured and non-interest bearing advances.
Advance collections	-	-	1,771	(1,771)	-	-	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/ payable in cash, non-interest bearing and unsecured.
Transaction fees	2,769	4	3,036	-	1,030	1,030	
Reimbursements from associates	127,181	37,677	173,338	15,198	164,981	22,617	
Reimbursements to associates	4,078	(6,680)	63,138	(28,265)	1,225	(4,736)	

(19)

	2022		2021		2020		
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Terms and conditions
Entities under common control							
Rent and utilities	35,607	(5,746)	34,119	-	34,119	-	Receivables/payables are collectible/payable in cash within 30 to 60 days from billing date. These are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Entities with common shareholders							
Commission income	11,038	-	6,650	-	10,558	3,731	Receivables/payables are collectible in cash within 30 to 60 days from billing date. These are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized. Advances are primarily cost reimbursements paid on behalf of related parties.
Dividends declaration	241,300	-	266,564	-	341,680	-	Refer to Note 21.2.
Purchases, net purchase returns	1,727,306	(258,196)	165,020	(90,434)	1,973,683	(514,258)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured (Note 19).
Collections (Payments) in behalf of a related party	-	(3,672)	(136)	(4,113)	-	(4,331)	
Reimbursements	3,137	(593)	-	-	-	-	Payable in cash within 60 days unsecured and bears no interest. Refer to Notes 16 and 17.
Royalty/Technical fees	53,849	(9,695)	51,895	(2,678)	42,697	(29,891)	
Key management personnel							
Short-term							
Directors fees	1,918	(2,952)	3,368	(4,329)	9,412	(9,412)	Payable to employees in cash within 30 days from date of each transaction. Non-interest bearing and not covered by any guarantee.
Salaries and wages	389,093	(78,671)	361,865	(82,658)	435,561	(60,772)	
Long-term							
Retirement benefits	18,154	(197,744)	57,841	(179,616)	19,034	(122,007)	Refer to Note 20.
Retirement plan							
Contributions to the retirement fund	1,532	-	17,412	-	854	-	Refer to Note 20.
Claims from the retirement fund	-	3,555	-	-	25,034	-	Receivables are collectible on demand, unsecured and non-interest bearing.

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

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

(20)

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

	2022	2021	2020
As at December 31			
Investment in subsidiaries	4,819,351	4,824,651	4,789,026
Trade and other receivables	401,042	122,461	119,043
Trade payables and other liabilities	401,042	106,961	103,543
Short-term borrowings	15,500	15,500	15,500
Deposits for future shares subscription	29,300	-	15,625
For the years ended December 31			
Sale of services	572,572	432,932	401,113
Sales of goods	-	14,846	8,261
Cost of services	400,669	339,313	329,840
Cost of goods	5,877	6,412	10,017
Operating expenses	195,662	123,005	104,209
Other operating income			
Dividend income	592,035	641,209	838,559
Interest income	1,441	830	460
Interest expense	1,441	830	460

Note 15 - Revenue from contracts with customers

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

	Note	2022	2021	2020
Gross sales				
Sale of goods (Point in time)		13,403,727	13,351,797	11,614,083
Sale of services (Over time)		939,786	314,780	215,170
		14,343,513	13,666,577	11,829,253
Deductions				
Trade and volume discounts and other incentives	3	(682,500)	(954,402)	(618,039)
Sales returns		(485,940)	(472,936)	(446,294)
		(1,168,440)	(1,427,338)	(1,064,333)
		13,175,073	12,239,239	10,764,920

The Group revised the breakdown of Revenue and related deduction for the years ended December 31, 2021 and 2020 to conform with current year presentation. The changes did not impact previously reflected net income and financial position, thus a third balance sheet was not presented. The consolidated statement of cash flows for the year ended December 31, 2021 was updated to reflect the corrected balance of volume rebates, trade discounts, and other incentives and movement of receivables but it did not impact the net operating cash flows as previously presented.

(a) Disaggregation of revenue from contracts with customers

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

(b) Assets and liabilities related to contracts with customers

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

	2022	2021
Current contract assets relating to percentage of completion (POC) contracts	2,319,699	1,290,802
Loss allowance	(352)	(88)
	2,319,347	1,290,713
Less: Contract billings	(1,537,679)	(797,150)
	781,668	493,563

The opening balances of contract assets as at December 31, 2022 and 2021 amounted to P493,563 and P670,285, respectively.

Further, as at December 31, 2022, contract liabilities representing billings in excess of costs incurred and estimated earnings on uncompleted contracts, and warranty obligations amounting to P277,572 and P74,206, respectively (2021 - P317,271 and P61,544, respectively) are disclosed in Notes 10 and 11.

(c) Significant changes in contract assets and liabilities

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

Note 16 - Cost of sales and services

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

	Note	2022	2021	2020
Raw materials used		5,956,654	5,178,189	4,820,630
Labor		172,208	185,108	178,101
Overhead		608,806	660,388	581,531
Total manufacturing cost		6,737,668	6,023,685	5,580,262
Work-in-process, beginning	4	2,587	4	3,620
Work-in-process, ending	4	(572)	(2,587)	(4)
Cost of goods manufactured		6,739,683	6,021,102	5,583,878
Finished goods inventory, beginning	4	1,140,542	1,295,612	1,210,302
Acquisition of Tenex		1,005	-	-
Gross purchases – trading		1,965,279	1,437,200	851,081
Finished goods available for sale		9,846,509	8,753,914	7,645,261
Finished goods inventory, ending	4	(1,510,893)	(1,140,542)	(1,295,612)
Total cost of sales		8,335,616	7,613,372	6,349,649
Cost of installation and maintenance of elevators		758,263	547,727	465,232
Others		25,517	12,711	22,255
Total cost of services		783,780	560,438	487,487
		9,119,396	8,173,810	6,837,136

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

	Notes	2022	2021	2020
Indirect labor		262,224	294,811	227,337
Rent and utilities	14, 19	88,437	48,484	50,274
Depreciation and amortization	5	80,507	77,945	76,484
Repairs and maintenance		49,631	54,407	36,930
Taxes and licenses		45,562	40,108	55,713
Outside services		43,955	60,295	53,810
Indirect materials and supplies		13,100	2,243	2,527
Travel and transportation		11,393	8,289	11,345
Amortization of right-of-use assets	19	8,249	39,378	36,850
Insurance		5,745	5,680	5,852
Amortization of intangible assets	8	2,122	2,138	1,982
Others		(2,119)	26,610	22,427
		608,806	660,388	581,531

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

	Notes	2022	2021	2020
Materials and labor	4	565,068	396,423	331,457
Personnel costs		114,813	87,875	86,283
Royalty/technical fees	14, 19	31,583	28,885	27,438
Supplies		17,290	926	807
Rent and utilities	14, 19	11,418	4,602	7,922
Depreciation and amortization	5	7,718	7,908	4,021
Amortization of right-of-use assets	19	7,237	7,525	8,508
Taxes and licenses		4,285	3,703	4,134
Transportation and travel		2,904	2,685	2,541
Outside services		2,583	4,861	4,080
Provision for obsolete inventory	4	599	-	-
Repairs and maintenance		199	339	330
Insurance		-	800	713
Others		18,083	13,906	9,253
		783,780	560,438	487,487

Note 17 - Operating expenses

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

	Notes	2022	2021	2020
Personnel costs	12, 20	1,256,456	1,326,060	1,085,626
Outside services and professional fees		775,023	725,362	628,063
Outbound freight		355,574	341,953	300,463
Amortization of right-of-use assets	19	174,784	203,060	193,321
Rent and utilities	14, 19	140,192	87,487	85,899
Warranty cost	11	125,093	129,694	134,160
Advertising and promotion		105,690	154,266	74,852
Depreciation and amortization	5	63,140	65,487	57,734
Taxes and licenses		50,010	68,961	40,719
Transportation and travel		34,744	20,020	19,958
Royalty/technical fees	14, 19	30,951	31,355	24,785
Provision for contingencies	12	27,504	11,120	28,113
Amortization of intangible assets	8	26,275	29,914	26,877
Provision for inventory obsolescence	4	15,730	31,984	36,977
Repairs and maintenance		14,841	12,221	7,869
Provision for impairment of receivables	3	3,026	11,858	77,917
Others		160,937	160,704	149,083
		3,359,970	3,411,506	2,972,416

Note 18 - Other operating income (loss), net

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

	Notes	2022	2021	2020
Commission income	14	11,038	6,650	10,558
Interest income	2	8,493	5,483	12,108
Loss on foreign exchange forward contracts	26	(666)	(1,778)	(15,486)
Loss on disposal of property and equipment	5	(62)	(160)	(562)
Foreign exchange gains (losses), net	25	(118,790)	(45,219)	58,421
Miscellaneous		34,053	19,950	19,924
		(65,934)	(15,074)	84,963

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

Note 19 - Leases and other agreements

19.1 Leases

The Group leases various office space, furniture and fixtures, equipment and vehicles. Rental contracts are typically made for fixed periods of one (1) to five (5) years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The group has recognized right-of-use assets for these leases, except for short-term and low-value leases. Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions.

19.1.1 CCAC has a three-year lease agreement with Concepcion Industries, Inc., an entity under common control to CCAC, which expired on December 31, 2021 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 agreement is renewed for another three years which will be expiring on December 31, 2024.

19.1.2 CCAC has a three-year lease contract 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 latest renewal of the lease extends the lease term to December 31, 2022.

19.1.3 CCAC leases an office space in Muntinlupa City and a warehouse space in Cabuyao owned by Foresight Realty and Development Corporation, an entity under common control to CCAC. One lease contract expired on December 31, 2021 while the rest of the contracts are renewable upon mutual agreement of the parties which expired in August 2022; was renewed for another three years which will expire on July 31, 2025.

19.1.4. CBSI leases an office and parking space, respectively, in Muntinlupa City from Foresight Realty & Development Corp., a shareholder, for a period of five (5) years from August 2017 to July 2022. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.

19.1.5 CDI leases a 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. The lease was renewed for another five (5) years up to October 31, 2026.

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

19.1.8 COPI leases its office and parking space from MBS Development Corp. with five-year lease term from January 9, 2019 to February 8, 2024. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.

19.1.9 COPI leases a warehouse space from Armal Realty Development Corporation for a period of three (3) years from September 7, 2019 to September 6, 2022. The lease is extended until September 6, 2023.

19.1.10 CTC has a three-year lease contract with MBS Development Corporation for its office space and parking spaces in Muntinlupa City from April 16, 2019 to June 30, 2022. The contract was terminated on December 31, 2021.

19.1.11 The Group also has various lease agreements for vehicles under non-cancellable operating leases expiring within two (2) to three (3) years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

(a) Amounts recognized in the statement of financial position

Right of use assets and lease liability are presented as a separate line items in the statement of financial position. The carrying amounts of right-of-use asset related to the lease agreements above as at December 31 are shown below:

	Notes	Buildings and leasehold improvements	Warehouses	Office spaces	Vehicles	Others	Total
Cost							
January 1, 2021		72,722	462,653	182,620	176,550	142,072	1,036,617
Additions		-	193,527	2,373	1,687	3,400	200,987
Lease terminations		-	(160,214)	(2,101)	(6,247)	-	(168,562)
Modifications and transfers		(34,141)	-	-	(372)	-	(34,513)
December 31, 2021		38,581	495,966	182,892	171,618	145,472	1,034,529
Acquisition of Tenex		-	-	3,696	-	-	3,696
Additions		2,439	225,704	20,651	4,693	17,120	270,607
Lease terminations		-	(353,644)	(82,019)	(108,261)	(105,157)	(649,081)
Modifications and transfers		-	413	(3,988)	1,100	3,575	1,100
December 31, 2022		41,020	368,439	121,232	69,150	61,010	660,851
Accumulated amortization							
January 1, 2021		37,307	299,791	100,169	61,441	50,055	548,763
Amortization	16, 17	12,131	149,714	49,120	26,555	12,443	249,963
Lease terminations			(160,214)	(2,101)	(6,234)	-	(168,549)
Modifications and transfers		(31,610)		-	353	-	(31,257)
December 31, 2021		17,828	289,291	147,188	82,115	62,498	598,920
Acquisition of Tenex		-	-	2,464	-		2,464
Amortization	16, 17	11,489	139,017	10,377	17,241	12,146	190,270
Lease terminations		-	(302,115)	(116,461)	(40,740)	(32,490)	(491,803)
Modifications and transfers		-	-	-	907	-	907
December 31, 2022		29,317	126,193	43,568	59,523	42,154	300,755
Net book values							
December 31, 2021		20,753	206,675	35,702	89,501	82,974	435,605
December 31, 2022		11,703	242,246	77,664	9,627	18,856	360,096

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

	2022	2021
Beginning	456,136	489,123
Acquisition of Tenex	1,291	-
Additions	270,607	195,788
Modifications and adjustments	(1,950)	16,333
Transfers	(747)	4,944
Terminations	(156,270)	(477)
Interest expense	18,087	12,329
Principal payments	(190,280)	(249,575)
Interest payments	(18,087)	(12,329)
Ending	378,787	456,136

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

	2022	2021
Current	136,873	107,384
Non-current	241,914	348,752
	378,787	456,136

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

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

	2022	2021	2020
Amortization expense			
Building and leasehold improvements	11,489	12,131	13,694
Warehouse	139,017	149,714	125,744
Office space	10,377	49,120	49,500
Vehicles	17,241	26,555	37,855
Others	12,146	12,443	11,886
	190,270	249,963	238,679
Interest expense (included in interest expense)	16,542	12,329	21,530
Expense relating to short-term leases	19,181	-	836
Expense relating to leases of low-value assets that are not shown above as short-term leases	23,340	6,675	5,375
Expense relating to variable lease payments not included in lease liabilities	21,693	-	29,269

Certain leased assets were subleased by the Group. Income arising from subleasing amounted to P3,343 (2021 - P29,573).

The total cash outflow for leases for the year amounted to P208,367 (2021 - P261,904).

(c) Discount rate

Payments for leases of buildings and leasehold improvements, warehouses, office spaces, vehicles and other leases are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The average incremental borrowing rate ranges from 4.375% to 5.50%.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

19.2 Trademark and other agreements

19.2.1 Kelvinator trademark

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

Royalty/technical fees for the above agreements charged to operations in 2022 amounted to P8,685 (2021 - P8,346: 2020 - P9,526) (Note 17).

19.2.2 Royalty/Technical service agreement with Carrier Corporation

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

Royalty/technical fees for the above agreements charged to operations in 2022 amounted to P22,266 (2021 - P23,010; 2020- P15,259) (Note 17).

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

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

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

Royalty/technical fees for the above agreements charged to operations in 2022 amounted to P31,583 (2021 - P28,885; 2020 - P27,438) (Note 16).

19.2.4 Assignment Agreement with OECPI

COPI has an outstanding payable to OECPI as at December 31, 2022 amounting to P3,672 (2021 - P4,113) which is included under payable to related parties under trade payables and other liabilities (Notes 10 and 14). The payable resulted from transactions subsequent to an Assignment Agreement executed by and between OECPI, as the assignor, and COPI, as the assignee, for the conveyance, transfer assignment and delivery of all the OECPI's assets, liabilities and contracts to COPI as set out in the agreement.

Note 20 - Retirement plan

20.1 CIC

CIC has an established retirement plan which is a non-contributory and of the defined benefit type which provides a retirement 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 retirement plan. This retirement plan is in agreement with CCAC's retirement plan that was started on July 1, 1999 since most of the employees of CIC were absorbed from CCAC.

20.2 CCAC

CCAC has an established funded, 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.

20.3 Alstra; Teko; Tenex

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

As at December 31, 2022 and 2021, estimated retirement benefits and obligations for Alstra is deemed immaterial, hence, not provided for.

20.4 COPI

The Company has a funded, non-contributory defined benefit plan which provides a retirement benefit range of twenty percent (20%) to two hundred percent (200%) of plan salary for every year of service to its qualified employees and is being administered by a trustee bank. The normal retirement age is 60 years and optional retirement date is at age 50 or completion of at least ten (10) years of service.

20.5 CBSI

CBSI has a non-contributory retirement benefit plan which provides a retirement benefit ranging from twenty percent (20%) to one hundred twenty-five percent (125%) of basic monthly salary times number of years of service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

20.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to 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, 2022.

20.7 CDI

As at December 31, 2020, the Company has not yet established a formal retirement plan for its employees but provides for estimated retirement benefits required under Republic Act No. 7641 (Retirement Law).

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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2022									
Retirement benefit obligation	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502
Retirement benefit expense	1,383	56,883	26,205	19,115	5,061	317	1,283	625	110,872
2021									
Retirement benefit obligation	16,469	287,555	166,609	75,676	5,194	1,872	2,463	-	555,838
Retirement benefit expense	1,959	54,933	147,390	16,584	3,933	2,836	754	-	228,389

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2022									
Present value of retirement benefit obligation	21,647	345,616	164,739	76,832	30,388	885	2,632	580	643,319
Fair value of plan assets	-	(29,640)	(16,442)	-	(26,735)	-	-	-	(72,817)
	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502
2021									
Present value of retirement benefit obligation	16,469	331,519	183,917	75,676	34,856	1,872	2,463	-	646,772
Fair value of plan assets	-	(43,964)	(17,308)	-	(29,662)	-	-	-	(90,934)
	16,469	287,555	166,609	75,676	5,194	1,872	2,463	-	555,838

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2022									
Beginning	16,469	331,519	183,917	75,676	34,856	1,872	2,463	393	647,165
Interest cost	511	19,437	9,609	4,194	2,117	100	145	20	36,133
Current service cost	872	39,054	17,479	13,703	3,948	217	997	605	76,875
Transfer of employees	-	4,186	1,126	3,695	-	(1,104)	-	-	7,903
Benefits paid directly by the Group	-	(26,169)	(38,166)	(12,633)	(4,846)	-	-	-	(81,814)
Benefits paid from the plan assets	-	(12,766)	-	(12,052)	(3,419)	-	(293)	-	(28,530)
Settlement gain/(loss)	-	636	-	1,218	640	-	140	-	2,634
Remeasurement loss (gain)									
Changes in financial assumptions	(340)	(30,147)	(28,474)	(8,671)	(4,403)	(129)	(972)	(324)	(73,460)
Changes in demographic assumptions	4,135	(7,038)	-	(3,845)	-	(14)	-	-	(6,762)
Experience adjustments	-	26,904	19,248	15,547	1,495	(57)	152	(114)	63,175
Ending	21,647	345,616	164,739	76,832	30,388	885	2,632	580	643,319
2021									
Beginning	21,536	365,293	54,954	77,728	34,774	11,561	1,201	-	567,047
Interest cost	693	13,048	8,908	2,915	1,302	333	61	-	27,260
Current service cost	1,266	43,356	138,482	13,669	3,857	2,503	694	-	203,827
Transfer of employees	-	(1,439)	-	1,155	(462)	(4,372)	-	-	(5,118)
Benefits paid directly by the Group	(1,896)	(35,963)	(20,033)	(7,922)	(1,934)	(7,145)	-	-	(74,893)
Benefits paid from the plan assets	-	-		-	(468)	-	-	-	(468)
Remeasurement loss (gain)									
Changes in financial assumptions	(3,273)	(53,063)	(3,774)	(13,534)	(4,955)	(137)	(166)	-	(78,902)
Changes in demographic assumptions	28	4,682	(2,963)	(2)	24	(287)	(292)	-	1,190
Experience adjustments	(1,885)	(4,395)	8,343	1,667	2,718	(584)	965	-	6,829
Ending	16,469	331,519	183,917	75,676	34,856	1,872	2,463	-	646,772

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

	CCAC	CDI	COPI	Total
2022				
Beginning	43,964	17,308	29,662	90,934
Interest income	2,243	883	1,644	4,770
Contributions	-	-	1,532	1,532
Benefits paid from the fund	(12,766)	-	(3,418)	(16,184)
Remeasurement loss from experience adjustments	(3,801)	(1,749)	(2,685)	(8,235)
Ending	29,640	16,442	26,735	72,817
2021				
Beginning	41,000	-	33,173	74,173
Interest income	1,472	-	1,226	2,698
Contributions	-	17,190	222	17,412
Benefits paid from the fund	-	-	(468)	(468)
Remeasurement gain (loss) from experience adjustments	1,492	118	(4,491)	(2,881)
Ending	43,964	17,308	29,662	90,934

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2022									
Beginning	16,469	287,557	166,609	75,676	5,194	1,872	2,463	393	556,233
Retirement benefit expense	1,383	56,883	26,205	19,115	5,060	317	1,283	625	110,872
Remeasurement gain	3,795	(6,480)	(7,477)	3,029	(223)	(200)	(820)	(438)	(8,814)
Transfer of employees	-	4,186	1,126	3,695	-	(1,104)	-	-	7,903
Contributions	-	-	-		(1,532)	-	-	-	(1,532)
Settlement paid from book reserved	-	-	-	(12,052)	-	-	(294)	-	(12,346)
Benefits paid directly by the Group	-	(26,170)	(38,166)	(12,631)	(4,847)	-	-	-	(81,814)
Ending	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502
2021									
Beginning	21,536	324,295	54,954	77,728	1,601	11,561	1,201	-	492,876
Retirement benefit expense	1,959	54,932	147,390	16,584	3,933	2,836	754	-	228,388
Remeasurement loss (gain)	(5,130)	(54,268)	1,488	(11,869)	2,278	(1008)	507	-	(68,002)
Transfer of employees	-	(1,439)	-	1,155	(462)	(4,372)	-	-	(5,118)
Contributions	-	-	(17,190)	-	(222)	-	-	-	(17,412)
Benefits paid directly by the Group	(1,896)	(35,963)	(20,033)	(7,922)	(1,934)	(7,145)	-	-	(74,893)
Ending	16,469	287,557	166,609	75,676	5,194	1,872	2,462	-	555,839

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

	2022			2021		
	CCAC	COPI	CDI	CCAC	COPI	CDI
Government securities	96%	-	82%	-	-	-
Unit investment trust fund	4%	-	18%	20%	-	100%
Fixed rate treasury notes	-	96%	-	73%	91%	-
Corporate bonds	-	-	-	5%	-	-
Cash and cash equivalents	-	1%	-	2%	8%	-
Receivables	-	3%	-	-	1%	-
Others	-	-	-	-	-	-
	100%	100%	100%	100%	100%	100%

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

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

To fund CDI's retirement plan, CDI transferred its unit investment trust funds deposit instruments to a retirement fund being administered by a trustee. Based on the trust fund agreement, the trustee is authorized to invest the fund as it deems proper.

CCAC, COPI and CDI have not yet determined its contribution to the plan assets for the year ending December 31, 2023.

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2022									
Current service cost	872	39,054	17,479	13,703	3,948	217	997	605	76,875
Interest cost	511	19,437	9,609	4,194	2,117	100	145	20	36,133
Interest income on plan assets	-	(2,243)	(883)	-	(1,644)	-	-	-	(4,770)
Settlement gain or loss	-	635	-	1,218	640	-	141	-	2,634
	1,383	56,883	26,205	19,115	5,061	317	1,283	625	110,872
2021									
Current service cost	1,266	43,356	138,482	13,669	3,857	2,503	694	-	203,827
Interest cost	693	13,048	8,908	2,915	1,302	333	61	-	27,260
Interest income on plan assets	-	(1,472)	-	-	(1,226)	-	-	-	(2,698)
	1,959	54,932	147,390	16,584	3,933	2,836	755	-	228,389
2020									
Current service cost	1,248	43,740	7,646	12,697	2,523	3,166	761	-	71,781
Interest cost	1,028	14,076	2,659	2,760	1,420	543	16	-	22,502
Interest on the effect of the asset ceiling	-	-	-	-	13	-	-	-	13
Interest income on plan assets	-	(2,319)	-	-	(1,616)	-	-	-	(3,935)
Settlement loss (gain)	-	(5,823)	3,237	2,600	-	(393)	-	-	(379)
	2,276	49,674	13,542	18,057	2,340	3,316	777	-	89,982

Retirement benefit expense is included as part of personnel costs under operating expenses (Note 17).

The movement of other comprehensive loss (CIC and NCI) recognized in the consolidated statements of financial position as at December 31 follows:

	Note	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2022										
Beginning		(6,491)	85,661	8,353	1,582	4,257	(394)	744	-	93,712
Acquisition of Tenex		-	-	-	-	-	-	-	154	154
Remeasurement loss (gain)		3,795	(6,480)	(7,477)	3,029	(223)	(200)	(820)	(438)	(8,814)
Tax effect	9	-	1,620	1,869	(757)	56	50	164	-	3,002
Ending		(2,696)	80,801	2,745	3,854	4,090	(544)	88	(284)	88,054
2021										
Beginning		(1,361)	118,083	6,752	9,785	2,379	338	297	-	136,273
Remeasurement loss (gain)		(5,130)	(54,268)	1,488	(11,869)	2,278	(1,008)	507	-	(68,002)
Tax effect		-	13,567	(372)	2,967	(570)	252	(102)	-	15,742
Tax effect (CREATE)	9	-	8,279	485	699	170	24	42	-	9,699
Ending		(6,491)	85,661	8,353	1,582	4,257	(394)	744	-	93,712
2020										
Beginning		(581)	104,152	15,445	10,381	5	39	-	-	129,441
Remeasurement loss (gain)		(780)	19,904	(12,418)	(851)	3,634	428	424	-	10,341
Impact of asset ceiling		-	-	-	-	(243)		-	-	(243)
Tax effect	9	-	(5,973)	3,725	255	(1,017)	(129)	(127)	-	(3,266)
Ending		(1,361)	118,083	6,752	9,785	2,379	338	297	-	136,273

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex
2022								
Discount rate	5.55%	7.20%	7.30%	7.17%	7.23%	7.19%	7.34%	7.30%
Salary increase rate	3.70%	5.00%	5.00%	4.80%	4.00%	2.30%	5.00%	5.00%
Average expected future service years of plan members	10.3	21.4	18.9	24.5	20.4	23.2	26.6	20.8
2021								
Discount rate	3.10%	4.98%	5.10%	4.96%	4.93%	4.86%	5.42%	-
Salary increase rate	3.70%	5.00%	5.00%	4.80%	4.00%	2.30%	5.00%	-
Average expected future service years of plan members	11.3	22.5	20.5	24.3	20.7	26.7	28.6	-

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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Tenex	Total
2022								
Less than a year	22,605	121,836	40,171	11,791	6,510	204	-	203,117
More than 1 year to 5 years	31	213,520	72,141	66,812	20,659	761	-	373,924
More than 5 years to 10 years	48	252,203	113,867	93,299	21,333	158	191	481,099
2021								
Less than a year	21,062	91,852	41,692	9,441	9,515	336	-	173,898
More than 1 year to 5 years	24	192,750	59,389	49,302	16,283	2,072	-	319,820
More than 5 years to 10 years	42	210,978	113,223	101,468	28,942	1,376	-	456,029

The weighted average duration of the defined benefit obligation as at December 31, 2022 0.6 to 20.8 years (2021 - 1.1 to 17.7 years).

Note 21 - Equity

21.1 Share capital

As at December 31, 2022 and 2021, CIC's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per.

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

	Number of common shares issued and outstanding	Amount Share capital	Share premium	Treasury shares
January 1, 2020	403,218,091	407,264	993,243	(146,528)
Acquisition of treasury shares	(1,263,000)	-	-	(23,540)
December 31, 2020	401,955,091	407,264	993,243	(170,068)
Acquisition of treasury shares	(100,000)	-	-	(2,040)
December 31, 2021	401,855,091	407,264	993,243	(172,108)
Acquisition of treasury shares	(3,942,600)	-	-	(69,356)
December 31, 2022	397,912,491	407,264	993,243	(241,464)

21.2 Retained Earnings

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

Date declared	Dates paid	Per share	2022	2021	2020
February 16, 2022	April 12, 2022	1.0	401,855	-	-
February 10, 2021	April 12, 2021	1.0	-	401,955	-
May 13, 2020	June 17, 2020	0.7	-	-	282,253
			401,855	401,955	282,253

For the year ended December 31, 2022, NCI from profit distribution of CCAC and COPI amounted to P202,100 and P39,200, respectively (2021 - P188,164 and 78,400, respectively; 2020 - P341,680 and nil, respectively) (Note 7.2).

CIC annually performs an evaluation of the amount to be declared as dividends. Subsequently, on March 29, 2023, CIC's BOD declared cash dividends in the amount of P0.50 per share totaling to P198,956,246 for shareholders of record as at April 18, 2023 (net of treasury shares), which will be paid on April 25, 2023.

21.3 Treasury shares

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

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

On July 27, 2022, the BOD extended the share buyback program to another two years or until September 9, 2024. Out of the approved buyback of 300 million, total amount of shares repurchases was 168 million as at December 31, 2022.

Details of acquisition of treasury shares for the year ended December 31 follow:

Trade Date	Date Paid	Shares	Per share	Amount
As at January 1, 2020		4,045,800		146,528
2020				
July 28, 2020	July 29, 2020	200,300	19.00	3,806
July 28, 2020	July 29, 2020	1,400	18.50	26
July 28, 2020	July 29, 2020	1,000	18.48	19
July 28, 2020	July 29, 2020	300	18.46	6
July 29, 2020	July 30, 2020	200,000	19.00	3,800
August 18, 2020	August 20, 2020	200,900	19.00	3,817
August 18, 2020	August 20, 2020	700	18.98	13
August 18, 2020	August 20, 2020	400	18.96	8
August 18, 2020	August 20, 2020	600	18.94	11
August 18, 2020	August 20, 2020	1,400	18.92	26
August 18, 2020	August 20, 2020	1,000	18.90	18
August 27, 2020	September 1, 2020	200,000	19.00	3,800
September 1, 2020	September 3, 2020	455,000	18.00	8,190
		1,263,000		23,540
2021				
May 26, 2021	May 31, 2021	100,000	20.40	2,040
2022				
April 13, 2022	April 20, 2022	200,000	19.56	3,912
May 10, 2022	May 13, 2022	150,000	18.98	2,847
May 10, 2022	May 13, 2022	245,500	19.00	4,665
May 16, 2022	May 19, 2022	21,500	18.00	387
May 16, 2022	May 19, 2022	77,000	18.50	1,425
May 18, 2022	May 23, 2022	269,600	18.94	5,106
July 21, 2022	July 26, 2022	300,000	18.24	5,472
August 17, 2022	August 22, 2023	1,176,000	17.00	19,992
September 2, 2022	September 7, 2022	751,500	17.00	12,775
September 2, 2022	September 7, 2022	751,500	17.00	12,775
		3,942,600		69,356
		9,351,400		241,464

Note 22 - Earnings per share

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

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

	2022	2021	2020
Net income attributable to owners of the Parent Company	153,836	164,750	470,918
Weighted average common shares - basic and diluted (in '000)	400,161	401,895	402,751
Basic and diluted earnings per share	0.38	0.41	1.17

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

Note 23 - Contingencies

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

Note 24 - Segment information

The Group's Executive Committee and the BOD review and analyze profit or loss into Consumer and Commercial business while assets, liabilities and other accounts are analyzed on a per entity basis - CCAC, CDI and COPI with all other entities as part of Others.

24.1 Profit or loss

24.1.1 Consumer business (formerly CLS business)

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

24.1.2 Commercial business (formerly BIS/Alstra business)

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

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

	Consumer business	Commercial business	Others	Total
2022				
Net sales and services	9,759,516	3,360,604	54,953	13,175,073
Timing of revenue recognition				
At point in time	9,759,516	2,467,702	8,069	12,235,287
Over time	-	892,902	46,884	939,786
Cost of sales and services	(6,756,590)	(2,331,612)	(31,194)	(9,119,396)
Gross profit	3,002,926	1,028,992	23,759	4,055,677
Operating expenses*	(2,556,024)	(676,846)	(127,100)	(3,359,970)
Depreciation and amortization**	(93,285)	(25,401)	(32,679)	(151,365)
Amortization of right-of-use assets	(131,703)	(50,983)	(7,584)	(190,270)
Other operating income (loss)	(77,395)	(3,359)	6,327	(74,427)
Interest expense	(17,974)	(2,555)	(12,001)	(32,530)
Interest income	2,346	2,825	3,322	8,493
Share in net loss of associates	(30,943)	(1,053)	-	(31,996)
Income tax benefit (expense)	(94,418)	(88,977)	(23,788)	(207,183)
Net income (loss) for the year	228,518	259,027	(129,481)	358,064
2021				
Net sales and services	9,676,720	2,529,588	32,931	12,239,239
Timing of revenue recognition				
At point in time	9,676,720	2,245,190	2,549	11,924,459
Over time	-	284,398	30,382	314,780
Cost of sales and services	(6,501,576)	(1,652,190)	(20,044)	(8,173,810)
Gross profit	3,175,144	877,398	12,887	4,065,429
Operating expenses	(2,639,260)	(561,595)	(210,651)	(3,411,506)
Depreciation and amortization**	(94,156)	(24,503)	(32,681)	(151,340)
Amortization of right-of-use assets	(172,423)	(61,727)	(15,813)	(249,963)
Other operating income (loss)	(15,963)	(6,280)	1,686	(20,557)
Interest expense	(7,735)	(3,711)	(12,386)	(23,832)
Interest income	2,780	1,558	1,145	5,483
Share in net income of associates	(20,717)	(1,796)	-	(22,513)
Income tax expense (benefit)	(128,399)	(88,228)	2,218	(214,409)
Net income for the year	365,850	217,346	(205,101)	378,095
2020				
Net sales and services	8,151,500	2,585,472	27,948	10,764,920
Timing of revenue recognition				
At point in time	8,151,498	2,397,734	518	10,549,750
Over time	-	187,739	27,431	215,170
Cost of sales and services	(5,197,775)	(1,617,167)	(22,194)	(6,837,136)
Gross profit	2,953,723	968,306	5,755	3,927,784
Operating expenses	(2,200,137)	(598,911)	(173,368)	(2,972,416)
Depreciation and amortization*	(85,379)	(19,207)	(33,653)	(138,239)
Amortization of right-of-use assets	(168,092)	(52,809)	(17,778)	(238,679)
Other operating income (loss)	49,862	17,165	5,828	72,855
Interest expense	(13,711)	(6,290)	(8,056)	(28,057)
Interest income	5,775	4,940	1,393	12,108
Share in net income of associates	25,675	(2,676)	-	22,999
Income tax expense	(261,536)	(118,145)	30,962	(348,719)
Net income for the year	559,651	264,389	(137,486)	686,554

** Inclusive of Depreciation and amortization of PPE and amortization of Right of Use Assets (ROU)*
***Depreciation and amortization referring to total charges to cost of sales and services, and operating expenses*

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

24.2 Assets, liabilities and other accounts

24.2.1 CCAC

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

24.2.2 CDI

The segment is engaged in manufacturing of refrigerators and freezers and distribution of laundry and kitchen appliances for domestic market.

24.2.3 COPI

The segment is engaged in distribution and service of elevators and escalators.

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

	CCAC	CDI	COPI	Others	Total
2022	565,425	62,422	(12,794)	385,594	1,000,647
2021	838,164	339,884	10,847	32,249	1,221,144
2020	617,120	41,452	23,428	272,049	954,049

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

	CCAC	CDI	COPI	Others	Total
2022					
Current assets	5,411,744	2,376,013	956,865	458,032	9,202,654
Non-current assets	742,044	492,784	917,893	415,341	2,568,062
Current liabilities	2,298,929	768,427	585,379	601,165	4,253,900
Non-current liabilities	431,068	268,364	3,653	115,272	818,357
Other information					
Investment in associates	71,631	-	-	18,378	90,009
Additions to non-current assets					
Property and equipment	30,139	21,030	1,068	7,966	60,203
2021					
Current assets	5,558,716	2,423,368	868,598	716,901	9,567,583
Non-current assets	798,866	550,460	941,891	465,188	2,756,405
Current liabilities	2,521,296	656,814	555,807	637,076	4,370,993
Non-current liabilities	471,817	322,667	16,507	98,798	909,789
Other information					
Investment in associates	78,512	-	-	50,240	128,752
Additions to non-current assets					
Property and equipment	26,346	26,571	17,780	9,342	80,039
Intangible assets	2,490	-	-	3,843	6,333

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

Note 25 - Foreign currency-denominated monetary assets and liabilities

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

Currency	Current assets	Current liabilities	Net foreign currency liabilities	Exchange rate	Peso equivalent
2022					
Yen	-	(31,860)	(31,860)	0.42	(13,254)
U.S. Dollar	1,765	(8,522)	(6,757)	55.27	(373,478)
Hong Kong Dollar	-	(1,570)	(1,570)	7.08	(11,118)
SGD	-	-	-	-	-
Chinese Yuan	594	(18,293)	(17,699)	7.94	(140,498)
Euro	1	(215)	(214)	58.79	(12,621)
					(550,969)
2021					
Yen	-	(22,794)	(22,794)	0.44	(10,030)
U.S. Dollar	1,774	(11,287)	(9,514)	50.16	(477,238)
Hong Kong Dollar	-	(650)	(650)	6.51	(4,230)
SGD	37	(36)	1	57.48	71
Chinese Yuan	300	(17,851)	(17,550)	3.79	(66,560)
Euro	77	(80)	(3)	55.45	(193)
					(558,180)
2020					
Yen	-	(27,390)	(27,390)	0.47	(12,873)
U.S. Dollar	943	(16,771)	(15,828)	48.06	(760,694)
Hong Kong Dollar	-	-	-	-	-
Chinese Yuan	-	(506)	(506)	7.34	(3,714)
Euro	2	(136)	(134)	58.37	(7,822)
					(785,103)

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

	Note	2022	2021	2020
Realized foreign exchange gains (losses), net		(132,322)	(33,205)	9,645
Unrealized foreign exchange gains (losses), net		13,532	(12,014)	48,776
	18	(118,790)	(45,219)	58,421

Note 26 - Financial risk and capital management

26.1 Financial risk factors

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

Risk management is carried out by the Group's Chief Finance Officer under policies approved by the Group's BOD. These policies provide written principles for overall risk management. There were no changes in policies and processes in the Group's financial risk management in 2022 and 2021.

26.1.1 Market risk

(a) Foreign exchange risk

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

However, the foreign exchange risk exposure is brought down to an acceptable level since average trade payment terms approximate each other, which range between 30 and 60 days upon which the risk associated with foreign exchange rates are deemed negligible. The Group enters into foreign exchange forward contracts with average term of a month in order to reduce losses on possible significant fluctuations in the exchange rates. There are no outstanding balances in relation to foreign exchange forward contracts as at December 31, 2022 and 2021.

These foreign currency forward contracts are accounted for as financial instruments at fair value through profit or loss. In 2022, the impact to profit and loss of foreign currency contract transactions during the year amounted to P666 loss (2021 - P1,778 loss; 2020 - P15,486 loss; 2019 - P19,324 loss), booked under other operating income, net (Note 18).

Sensitivity analysis is only performed for the U.S. Dollar, Euro and Chinese Yuan since exposure to other currencies is determined to be minimal. As at December 31, 2022, if the Philippine Peso had weakened/ strengthened by 9.83% (2021 - 5.42%; 2020 - 5.23%) against the U.S. Dollar with all other variables held constant, equity and income before tax for the year would have been lower/higher by P23,110 (2021 - P23,205; 2020 - P20,510) as a result of foreign exchange loss/gain on translation of US Dollar-denominated net liabilities.

As at December 31, 2022, if the Philippine Peso had weakened/strengthened by 2.59% (2021 - 1.86%; 2020 - 3.89%) against the Euro with all other variables held constant, equity and income before tax for the year would have been lower/higher by P2,499 (2021 - P9; 2020 - P250) as a result of foreign exchange loss/gain on translation of Euro-denominated net liabilities.

As at December 31, 2022, if the Philippine Peso had weakened/strengthened by 1.68% (2021 - 9.67%; 2020 - 1.24%) against the Chinese Yuan with all other variables held constant, equity and income before tax for the year would have been lower/higher by P96 (2021 - P6,655; 2020 - P46) as a result of foreign exchange loss/gain on translation of Euro-denominated net liabilities.

The rates are based on annual average actual exchange by leading international financial institutions as at December 31, 2022 and 2021.

(b) Commodity price risk

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

As at December 31, 2022, if the market prices of the Group's purchases increase/decrease by 8.10% (2021 - 4.50%; 2020 - 2.60%) (based on average price inflation), equity and profit before tax for the year would have been lower/higher by P262,235 (2021 - P173,991;2020 - P58,484). The Group does not engage in commodities hedging.

(c) Cash flow and fair value interest rate risk

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

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

26.1.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. A default on a financial asset is when the counterparty fails to make contractual payments within the set terms of when they fall due. 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 and receivables from related parties
- Contract assets relating to POC contracts

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

26.1.3 Liquidity risk

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

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

	2022		2021	
Type of credit facility	Currency	Amount	Currency	Amount
Bank of Philippine Islands				
Revolving promissory note line	Philippine Peso	2,500,000	Philippine Peso	2,000,000
Lease line	-	-	-	-
Bills purchased line	Philippine Peso	100,000	Philippine Peso	100,000
Import letters of credit and trust receipt line	Philippine Peso	550,000	Philippine Peso	-
Foreign Exchange Risk	Philippine Peso	500,000	Philippine Peso	-
Foreign exchange settlement line	U.S. Dollar	-	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	7,800
Foreign exchange settlement risk line	U.S. Dollar	1,800	U.S. Dollar	1,800
Foreign exchange pre-settlement risk line	U.S. Dollar	700	U.S. Dollar	700
Short-term loan line	U.S. Dollar	8,735	U.S. Dollar	8,735
Commercial cards	U.S. Dollar	556	U.S. Dollar	556
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
Corporate card guarantee	Philippine Peso	3,000	Philippine Peso	3,000
Foreign exchange settlement line	Philippine Peso	20,000	Philippine Peso	20,000

Trade and other payables, and amounts due to related parties are unsecured, non-interest bearing and are normally settled within 30 to 60 days from transaction date.

As at December 31, 2022 and 2021, all of the Group's financial liabilities are due and demandable within 12 months except for a portion of the lease liabilities which are expected to be settled in regular intervals until the end of the lease term. The Group expects to settle these obligations in accordance with their respective maturity dates. Except for lease liabilities which are discounted using the effective interest rates, these balances equal their carrying amounts as the impact of discounting is not significant. Based on management's assessment, the Group has sufficient level of readily available funds, which do not yet consider expected receipts from collection of current trade receivables, to settle maturing obligations as they fall due.

26.2 Capital management

The Group's objectives when managing capital, which is equivalent to the total equity shown in the consolidated statements of financial position, less charges to other comprehensive loss, are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital which will reduce the need to obtain long-term borrowings and incur higher cost of capital such as interest expense. There were no changes in policies and processes in the Group's capital management in 2022 and 2021.

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

	2022	2021
Share capital	407,264	407,264
Share premium	993,243	993,243
Treasury shares	(241,464)	(172,108)
Retained earnings	3,765,573	4,060,870
	4,924,616	5,289,269

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends, increase capital through additional contributions or sell assets in lieu of third party financing. No changes were made in the objectives, policies and processes as at December 31, 2022 and 2021.

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 20% of issued and outstanding shares, exclusive of any treasury shares. CIC is compliant with this requirement as at December 31, 2022 and 2021.

26.3 Fair value estimation of financial assets and liabilities

The Group's foreign exchange forward contracts, which are measured at fair value, qualify under Level 2. Accordingly, the fair values of these financial liabilities are based on published closing rate with any resulting value no longer subject to discounting due to the relative short-term maturity of these instruments. The Group does not account these contracts under hedge accounting; and accordingly recognizes fluctuations in fair value directly to profit or loss. As at December 31, 2022 and 2021, the Group has no other financial assets or liabilities measured and carried at fair value that would qualify as Levels 1 and 3. Further, financial liabilities from foreign exchange forward contracts are already nil as at December 31, 2022 and 2021.

Note 27 - Critical accounting estimates, assumptions and judgments

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

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

27.1 Critical accounting estimates and assumptions

27.1.1 Useful lives of property and equipment

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

If the actual useful lives of these assets is to differ by +/-10% from management's estimates the carrying amount of these assets as at December 31, 2022 would be an estimated +P25,331/-P34,829 (2021 - P26,777/-P37,52) (Note 5).

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

27.1.2 Provision for warranty cost

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

If the estimated weighted average rate applied to determine reasonable level of provision for warranty increased/decreased by 10.40% (2021 – 11.00%) income before tax and equity would have been P14,157 (2021 - P5,729) lower/higher. This is mainly due to corresponding adjustments on recorded warranty cost. The rate applied is based on average fluctuation from the previous year.

27.1.3 Provision for retirement benefits

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

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

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

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

	2022		2021	
	%	Impact	%	Impact
Average decrease due to 100 basis point (bps) decrease in discount rate	(7.21%)	(3,758)	(6.64%)	(5,930)
Average increase due to 100 bps decrease in discount rate	8.56%	4,170	7.76%	6,709
Average increase due to 100 bps increase in salary increase rate	8.70%	4,225	7.70%	6,648
Average decrease due to 100 bps decrease in salary increase rate	(7.46%)	(3,793)	(6.73%)	(5,989)

27.1.4 Provision for volume rebates, trade discounts and other incentives

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

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

If the estimated weighted average rate applied to determine reasonable level of provision for volume rebates, trade discounts and other incentives increased/decreased by 119% (2021 - 31%), profit before tax and equity would have been P136,075 (2021 - P143,218) lower/higher. This is mainly due to corresponding adjustments on recorded trade and volume discounts. The rate applied is based on average fluctuation from the previous year.

27.1.5 Provision for contingencies

Provision for contingencies is estimated based on consultation with third party counsels with reference to probability of winning the case (Note 23). A higher probability of winning would decrease provision. The Group considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the provision for contingencies at the reporting date. The details of the provision for contingencies matters are shown in Note 12.

27.1.6 Percentage of completion on installation contracts

Revenues from contracts are recognized under the percentage of completion method. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs of each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. The Group considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding percentage of completion of contracts (Note 15).

27.1.7 Incremental borrowing rate of lease liabilities

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

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. The discount rates applied by the Group are disclosed in Note 19.

27.1.8 Provision for impairment of receivables

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

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

27.2 Critical judgments in applying the Group's accounting policies

27.2.1 Impairment of goodwill

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

As at December 31, 2022 and 2021, 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, 2022 and 2021, 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 2022.

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

In 2022 and 2021, management has also considered the impact of the COVID-19 pandemic on COPI's ongoing and future projects in assessing its forecasted revenue growth.

Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2022 to 2026 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, 2022.

The following are the key assumptions used:

	2022	2021
Revenue growth rate (average per past experience)	11.55%	12.00%
Pre-tax adjusted discount rate	10.99%	7.62%
Terminal growth rate	3.00%	3.00%

Goodwill arising from the Group's acquisition of Teko and Tenex were assessed as not impaired since the current carrying amount approximates its fair value as at December 31, 2022 and 2021.

27.2.2 Impairment of intangibles - customer relationships and customer contract backlogs

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

27.2.3 Impairment of investment in associates

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

As at December 31, 2022 and 2021, based on management's assessment and judgment, the carrying value of its investment in associates is not impaired. Management has assessed that its losses in CMI would be temporary.

27.2.4 Provision for inventory obsolescence

The Group recognizes a provision for inventory obsolescence based on a review of the movements and current condition of each inventory item with adequate consideration on identified damages, physical deterioration, technological and commercial obsolescence or other causes. The provision account is reviewed on a periodic basis to reflect the accurate valuation of the Group's inventories. Inventory items identified to be obsolete and unusable is written-off, and charged as expense for the period. Management determines on a regular basis the necessity of providing for impairment. Results of management's assessment disclosed the needed provision for inventory obsolescence and losses as at December 31, 2022 amounts to P104,297 (2021 - P87,968). Any change in the Group's recoverability assessment could significantly impact the determination of such provision and the results of operations. The details of inventories are shown in Note 4.

27.2.5 Impairment of non-financial assets

Property and equipment and investment property 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 to the properties, or significant change in manufacturing operations; rendering certain property and equipment as obsolete and would warrant assessment for impairment and/or recognition of an impairment provision in its carrying amount as at reporting date. The details of property and equipment and investment property are shown in Notes 5 and 6.

27.2.6 Income taxes

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

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

27.2.7 Contingencies

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

27.2.8 Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) (Note 19). The Group considers the factors below as the most relevant in assessing the options:

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

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

CIC and its subsidiaries have considered extension and termination options and have recorded the appropriate adjustments in calculating right-of-use assets and lease liabilities.

27.2.9 Determining control over a subsidiary

CIC 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, CIC 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.

For all entities considered as subsidiaries, CIC has more than 50% ownership interest and voting rights. CIC has assessed to only have significant influence based on the percentage ownership and voting rights over CMI, and Teko SG. Thereafter, classifying these entities as associates.

Note 28 - Summary of significant accounting policies

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

28.1 Basis of preparation

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

These consolidated financial statements have been prepared under the historical cost convention, except for:

- forward contracts payable under financial liabilities at FVPL, and;
- fair value of plan assets for purposes of calculating the retirement benefit obligation.

The preparation of these consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 27.

Changes in accounting policy and disclosures

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

- *Onerous Contracts - Cost of Fulfilling a Contract: Amendments to PAS 37 (effective January 1, 2022)*

  The amendment to *PAS* 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- *Annual Improvements to PFRS* Standards 2018-2020 *(effective January 1, 2022)*

  The following improvements were finalised in May 2020:
  - PFRS 9 *Financial Instruments* - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - PFRS 16 *Leases* - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  - PFRS 1 *First-time Adoption of International Financial Reporting Standards* - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
  - PAS 41 *Agriculture* - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

  Impact of the first-time adoption of IFRS have set up the recognition of right-of-use assets and lease liabilities (Note 19) and retirement benefit obligation (Note 20).

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

The Group has not yet adopted the following amendments and improvements to existing standards as at December 31, 2022:

- *Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (effective January 1, 2023)*

  The narrow-scope amendments to PAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of an entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  They must be applied retrospectively in accordance with the normal requirements in PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

- *Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2 (effective January 1, 2023)*

  The IASB amended PAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support this amendment, the IASB also amended PFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- *Definition of Accounting Estimates - Amendments to PAS 8 (effective January 1, 2023)*

  The amendment to PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12 (effective January 1, 2023)*

  The amendments to PAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

  The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

  PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

- *Sale or contribution of assets between an investor and its associate or joint venture - Amendments to PFRS 10 and PAS 28.* The IASB has made limited scope amendments to PFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

  The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in PFRS 3 Business Combinations).

  Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

  In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The Group is still assessing the impact of the above new, amendments and interpretations to existing standards. However, initial assessment is that adoption of these are not expected to significantly impact the Group's financial reporting. All other standards, amendment and interpretations effective after December 31, 2022 are not considered relevant to the Group.

28.2 Consolidation

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

28.2.1 <u>Subsidiaries</u>

Subsidiaries are all entities (including special purpose entities) over which CIC has control. CIC controls an entity when CIC 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 CIC. They are de-consolidated from the date on which control ceases.

The details of CIC's subsidiaries as at December 31, 2022 and 2021 are as follows:

	2022		2021	
	Percentage of Ownership		Percentage of Ownership	
Entity	Direct	Indirect	Direct	Indirect
CCAC	60	-	60	-
CDI	100	-	100	-
CBSI	100	-	100	-
CTC	100	-	100	-
Alstra	100	-	100	-
COPI	-	51	-	51
Teko	-	58	-	58
Tenex	-	80	-	48

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; Teko is 42%; Tenex is 20% as at December 31, 2022 (2021 - COPI is 49%; CCAC is 40%; and Teko is 42%). The summarized financial information of subsidiaries with material NCI are presented in Note 7.2.

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

(a) Business combination through acquisition of business

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

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

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

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

(b) Business combinations under common control

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

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

28.2.2 Associates

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

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

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

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

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

28.3 Cash and cash equivalents

Cash and cash equivalents, which are carried at amortized cost, include deposits held at call with banks and other short-term highly liquid investments with original maturities of three (3) months or less from the date of acquisition. Short-term highly liquid investments with original maturities of more than three (3) months are booked as part of prepayments and other current assets (Note 28.7).

28.4 Receivables

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

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

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

Policy on impairment and other relevant policies on receivables are disclosed in Note 28.5. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited to operating expenses in profit or loss.

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

28.5 Financial instruments

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

28.5.1 Financial assets

(a) Classification

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

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

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

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

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

The Group's financial assets at amortized cost category include cash and cash equivalents (Note 2), trade receivables and receivables from related parties (Note 4) and contract assets (Note 15).

(b) Recognition and derecognition

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

(c) Measurement

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

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

(i) Debt instruments

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

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

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

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

(ii) Equity instruments

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

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

(d) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3 for further details.

28.5.2 Financial liabilities

(a) Classification

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

(57)

(i) Financial liabilities at FVPL

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

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

A financial liability is classified as financial liability at FVPL upon initial recognition if: such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; the financial liability forms part of group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and PFRS 9 permits the entire combined contract (asset or liability) to be designated as FVPL.

(ii) Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include trade payables and other liabilities (Note 28.14) (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions), borrowings (Note 28.15) and lease liabilities (Note 28.21).

(b) Initial recognition and derecognition

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

(c) Subsequent measurement

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

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

(58)

28.5.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party. As at December 31, 2022 and 2021, there are no financial assets and liabilities that were offset.

28.6 Fair value measurement

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

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

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

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

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

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

As at December 31, 2022 and 2021, the Group does not hold financial and non-financial assets and liabilities at fair value other than foreign exchange forward contracts (Note 28.5).

28.7 Prepayments and other current assets

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

Prepayments and other current assets include short-term investments, input VAT and creditable withholding taxes.

Input VAT and creditable withholding taxes are recognized as assets in the period such input VAT and income tax payments become available as tax credits to the Group and carried over to the extent that it is probable that the benefit will flow to the Group. Input VAT and creditable withholding taxes are derecognized when there is a legally enforceable right to offset the recognized amounts against output VAT payable and income tax due, respectively, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

28.8 Inventories

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

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

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

28.9 Property and equipment

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

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

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

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

Building and leasehold improvements are amortized over term of the lease or estimated useful life of five (5) years, whichever is shorter. Major renovations are depreciated over the remaining useful life of the related asset.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount (Note 28.12).

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

28.10 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Land is not depreciated. Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment properties will flow to the Group and cost of the investment can be measured reliably. The cost of investment property includes costs incurred initially to acquire the asset and costs incurred subsequently to add to, replace part of, or service a property.

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

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

28.11 Intangible assets

28.11.1 <u>Goodwill</u>

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

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

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

28.11.2 <u>Customer relationships and customer contract backlogs</u>

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

28.11.3 <u>Computer software</u>

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

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset. Amortization is computed using the straight-line method over it estimated useful lives of 3 to 5 years.

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

28.12 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that 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.

28.13 Current and deferred income tax

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

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

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

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

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

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

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

28.14 Trade payables and other liabilities

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

Other relevant policies are disclosed in Note 28.5.

28.15 Borrowings and borrowing costs

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

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

Borrowings are derecognized upon payment, cancellation or expiration of the obligation. Other relevant policies are disclosed in Note 28.5.

28.16 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

28.17 Equity

28.17.1 Share capital and share premium

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

28.17.2 Retained earnings

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

28.17.3 Dividends

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

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

28.17.4 Treasury Shares

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

28.18 Earnings per share

28.18.1 Basic

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

28.18.2 Diluted

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

28.19 Segment reporting

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

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

28.20 Revenue, cost and expense recognition

28.20.1 Revenues

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

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

(a) Sale of goods

(i) Sale of goods - wholesale

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

The products are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 to 60 days, which is consistent with market practice. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision, see Note 11.

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

(b) Sale of services

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

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

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

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

(c) Financing components

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

(d) Commission, interest and other operating income

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

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

28.20.2 Cost and expenses

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

28.21 Leases - Group as lessee

The Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally amortized over the shorter of the asset's useful life of between 3 to 10 years and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the underlying asset's useful life.

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(d) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

28.22 Employee benefits

28.22.1 Retirement benefit obligation

CIC, CCAC, CBSI, CTC and COPI maintains a non-contributory defined benefit retirement plan which is a retirement plan that defines an amount of pension benefit that an employee will receive upon retirement, dependent on certain factors such as age, years of credited service, and compensation. Alstra, Teko, and Tenex recognizes retirement benefit cost in accordance with RA 7641 (Retirement Law) which is also classified as a defined benefit plan. CDI also recognized retirement under RA 7641 until 2020. In 2021, CDI adopted a non-contributory, defined benefit retirement plan.

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

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

Past service costs are recognized immediately in profit or loss.

28.22.2 Termination benefits

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

28.22.3 Bonus incentives

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

28.22.4 Other benefits

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

On June 11, 2018, the BOD approved the 2018 Long Term Share Incentive Plan. Under the Plan, a percentage of the Group's profit will be used to buy its existing shares in the stock market, which will then be given to entitled employees as an award based on pre-determined conditions. The program will be funded annually based on 1% to 2% of CIC profit based on the financial measure of Profit After Tax and Minority Interest. There were no incentives granted in 2022 and 2021.

28.23 Foreign currency transactions and translation

28.23.1 Functional and presentation currency

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

28.23.2Transactions and balances

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

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

28.24 Related party relationships and transactions

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

28.25 Contingencies

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

28.26 Subsequent events

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

28.27 Impact of Coronavirus disease (Covid-19)

As the consumer and business activities start to normalize, the Group has assessed that the current situation would not result in any significant loss of business that may cause impairment of its assets for the year 2022 nor impact the Group's ability to meet its obligations as reflected in the financial statements. As at reporting date, the Company believes that there are no asset impairment indicators, and liquidity risk is low.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
December 31, 2022

Table of Contents

First Section

Second Section

Concepcion Industrial Corporation and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash and cash equivalents	-	1,688,163	-	8,493
Trade receivables and receivables from related parties	-	3,974,444	-	-
Contract assets	-	781,668	-	-
	-	6,444,275	-	8,493

Concepcion Industrial Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Shareholders
(Other than Related Parties)
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name of Employee	Balance at beginning of year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of year
Abrea , Sheina	319	-	319	-	-	-	-
Acebuque, Samuel	133	289	253	-	169	-	169
Acosta, Melanie	104	71	155	-	20	-	20
Alapag, Aveena Espejo	196	170	117	-	249	-	249
Albano, Alberto Alfonso	742	5,453	4,045	-	2,150	-	2,150
Alejandrino, Michael	125	-	52	-	73	-	73
Aquino, Sherwin	342	118	110	-	350	-	350
Aranas, Eleanor	124	-	124	-	-	-	-
Arquesa, Alvin	91	-	52	-	39	-	39
Baculo, Frank	125	136	125	-	136	-	136
Bagalihog, Romnick Agad	454	-	454	-	-	-	-
Barre, Farah	1,000	22,479	15,712	-	7,767	-	7,767
Barredo, Teddy	284	-	284	-	-	-	-
Bartilet, Grace	121	160	237	-	44	-	44
Basilad, Marlo	137	217	213	-	141	-	141
Biagtan, Abigail Zabala	-	198	58	-	140	-	140
Boliver, John Kenneth	-	205	-	-	205	-	205
Buenaobra, Jerome	175	130	158	-	147	-	147
Bugayon Jethro Estorninos	182	182	182	-	182	-	182
Byrne,Sean	-	148	-	-	148	-	148
Cabajar, Sherina May	-	500	162	-	338	-	338
Caingcoy, Marlot	132	-	132	-	-	-	-
Canseco, Edgardo	143	-	52	-	91	-	91
Caraan Gener Villalobos	140	-	140	-	-	-	-
Cataluna, Mary Joy	116	-	116	-	-	-	-
Cazin , Anthony Dominie	671	309	501	-	479	-	479
Chan, Virgilio Belino	-	567	151	-	416	-	416
Concepcion, Julius Czar	-	449	-	-	449	-	449
Cosico, Dennis	8	371	122	-	257	-	257
Cruz, Rachel	139	-	64	-	75	-	75
Cuntapay, Lorelei	107	-	107	-	-	-	-
Dagmil, Jeaneth	119	-	119	-	-	-	-
Dangla, Ark	234	-	234	-	-	-	-
Dannette Grace Biligan	-	384	-	-	352	32	384
Dauden, Michael Angelo Gallarzan	-	500	66	-	434	-	434
David, Lou Agustine	190	-	190	-	-	-	-
De Jesus, Arvie	-	100	-	-	100	-	100
De Keyser, Eman Noel Peralta	-	118	-	-	118	-	118
de Leon, Delia	226	-	226	-	0	-	0
Del Monte Esperidion II,	-	174	-	-	174	-	174
Del Rosario, Mariel	-	116	5	-	111	-	111
Dela Cruz, Riam	101	176	176	-	101	-	101
Dela Cruz, Warly Atienza	-	118	5	-	113	-	113
Delima, Marwin	-	150	44	-	106	-	106
Demagante, Honey Lyka	-	157	-	-	157	-	157
Diabon, Cyrus	-	271	-	-	271	-	271
Diolanda, Shirley Mico	-	850	714	-	136	-	136
Ebuenga, Welmer	126	178	156	-	148	-	148
Edica, Genevieve	124	-	124	-	-	-	-
Emman Franze Pamintuan	181	-	181	-	-	-	-
Estrada, Ma. Elvira Piedad	-	423	287	-	136	-	136
Ferrer, Rex Ramos	-	306	121	-	185	-	185
Frank Anthony Cadorna	-	159	-	-	159	-	159
Frank Baculo Jr.	-	136	-	-	68	68	136
Garcia, Maria Corazon	350	-	350	-	-	-	-
Gatpatan, Leah	-	250	137	-	113	-	113
Halos, Kim	-	388	147	-	241	-	241
Haxton, George Guthrie Aballe	351	-	227	-	124	-	124

Name of Employee	Balance at beginning of year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of year
Hipol, Federico Carlo Magno Lazaro	195	197	197	-	195	-	195
Inion, Connie	190	-	190	-	-	-	-
Inocelda, Carmela Picarana	-	225	121	-	104	-	104
Jhenny Martinez Basa	-	455	-	-	455	-	455
Joeffrey Gaerlan	370	-	370	-	-	-	-
Jose, Louie	362	362	127	-	597	-	597
Khan, Raymond	115	-	115	-	-	-	-
Ladanan, Arazeli	143	-	5	-	138	-	138
Lazaro, Christian	414	330	422	-	322	-	322
Lopena, Maria Isabel	207	-	207	-	-	-	-
Lozada, Marie Christian	171	-	171	-	-	-	-
Luna, Christian Bonifacio	-	182	8	-	174	-	174
Magtibay, Divine Grace	-	173	68	-	105	-	105
Maluyo, Mark Kevin	115	-	70	-	45	-	45
Mamigo, Franco	-	580	299	-	281	-	281
Manalon, Casius	266	399	369	-	296	-	296
Manligues, Mary Mademoiselle Pederio	-	170	56	-	114	-	114
Manzano, Lisette Tarranco	-	941	829	-	112	-	112
Mariano, Dante	984	-	81	-	903	-	903
Martinez, Jonathan	-	200	-	-	200	-	200
Mendoza, Jacquelyn	119	300	310	-	109	-	109
Mendoza, Ma Carolyn	114	236	247	-	103	-	103
Mercado, Leslie	183	-	179	-	4	-	4
Mercado, Leslie Bandoquillo	-	2,296	2,082	-	214	-	214
Mico, Shirley	340	-	340	-	-	-	-
Monreal, Robyne Victorino	-	320	81	-	239	-	239
Montemayor, Lei-lani	159	-	52	-	107	-	107
Nallos, Rhonel	196	-	196	-	-	-	-
Navarrete, Evelyn Jabagat	-	185	37	-	148	-	148
Nunez, Karolyn	124	-	124	-	-	-	-
Nunez, Mariska Bassig	-	254	89	-	165	-	165
Ocampo, Paula	385	724	653	-	456	-	456
Olitan, Jaime Jr.	143	-	68	-	75	-	75
Oral, Aaron	108	-	108	-	-	-	-
Oreta, Jerwin Recuerdo	-	223	123	-	100	-	100
Paraan, Erwin Aure	-	302	130	-	172	-	172
Partoriza, Sherly Marie	118	153	142	-	129	-	129
Porquis, Lope Ben	141	34	25	-	150	-	150
Prades, Ronell Andes	-	246	-	-	246	-	246
Prestado, Aleli Joy	109	132	136	-	105	-	105
Prudente, Maternidad Brofar	-	1,062	3	-	1,059	-	1,059
Rampas, Elsa Buenviaje	-	351	204	-	147	-	147
Reglos, Raymond	304	125	357	-	72	-	72
Repollo, Jennifer	129	-	129	-	-	-	-
Rodriguez, Estrella	120	140	140	-	120	-	120
Salazar, Emmanuel	746	-	746	-	-	-	-
Santiago, Ronald Aclon	173	126	196	-	103	-	103
Seron, Gliezel Mae	139	-	139	-	-	-	-
Tan, Dax Lawrence	185	-	185	-	-	-	-
Tarranco, Lisette Manzano	446	-	446	-	-	-	-
Tayamora, Rogelio	254	206	413	-	47	-	47
Teodoro, Christopher	169	312	484	-	(3)	-	(3)
Tomo, Bernard Bautista	-	100	-	-	100	-	100
Turano, Joey	501	-	501	-	-	-	-
Vega, Kim Clouie Lapuz	-	300	12	-	288	-	288
Verano, Maria Lalyn	172	170	172	-	170	-	170
Villamora, Grace	167	638	315	-	490	-	490
Yap, Cecille	156	-	121	-	35	-	35
Yee Jasmin Tarcila Mesina	118	200	261	-	57	-	57
Zamora, Sherina May Cabajar	533	-	533	-	-	-	-
Others	17,085	64,150	67,373	-	13,640	222	13,862
Total	35,280	114,595	109,251	-	40,302	322	40,624

Concepcion Industrial Corporation and Subsidiaries

Schedule C - Amounts Receivable from Related Parties – RPT registry
which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Not Current	Balance at end of period
Concepcion Industrial Corporation, Parent Company	45	852,013	(574,058)	-	278,000	-	278,000
Concepcion-Carrier Air Conditioning Company, Subsidiary	27,743	81,722	(88,567)	-	20,898	-	20,898
Concepcion Durables Inc., Subsidiary	7,784	19,872	(20,357)	-	7,299	-	7,299
Concepcion Business Services, Inc., Subsidiary	69,647	630,081	(607,137)	-	92,591	-	92,591
Cortex Technologies Corporation, Subsidiary	17,209	13,776	(6,825)	-	24,160	-	24,160
Concepcion-Otis Philippines, Inc., Subsidiary	-	-	-	-	-	-	-
Teko Solutions Asia Inc., Subsidiary	-	20,137	(18,915)	-	1,222	-	1,222
Alstra Incorporated, Subsidiary	33	40,800	(40,833)	-	-	-	-
Tenex Services, Inc., Subsidiary	-	19,875	(2,933)	-	16,942	-	16,942

Concepcion Industrial Corporation and Subsidiaries

Schedule D - Long-Term Debt
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Title of issue and Type of obligation	Amount authorized by indenture	Amount shown under caption “current portion of long-term debt” in related balance sheet	Amount shown under caption “Long-term Debt” in related balance sheet
N/A	N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule E - Indebtedness to Related Parties
(Long-Term Loans from Related Companies)
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule G - Capital Stock - broker
As at December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related balance sheet caption	Numbers of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	700,000,000	397,912,491	N/A	4,678,685	10,537,078	N/A

Concepcion Industrial Corporation and Subsidiaries

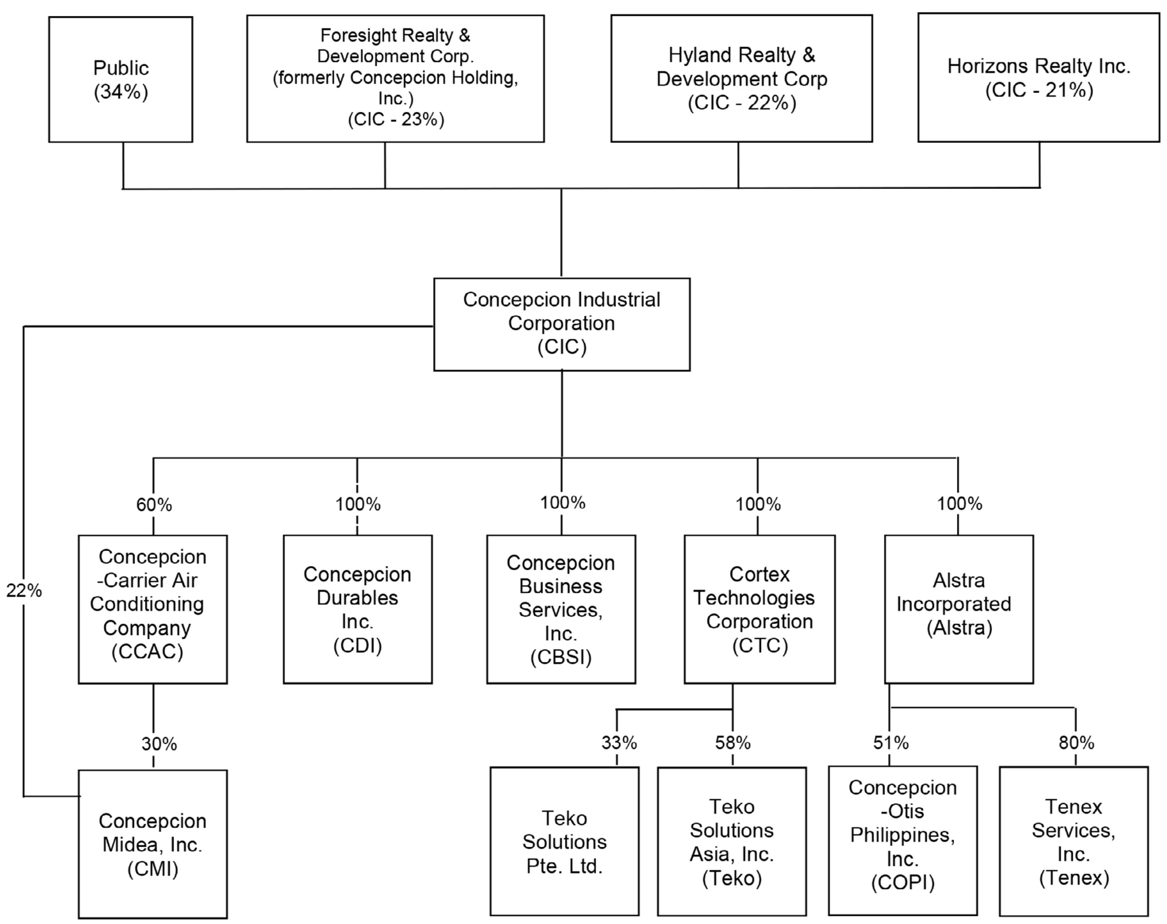
Additional Components of Financial Statements – working paper
Schedule of Financial Soundness Indicators
As at and for years ended December 31, 2022 and 2021

Ratio	Formula		Current Year	Prior Year
Current ratio	Total Current Assets divided by Total Current Liabilities		2.16	2.19
	Total Current Assets	9,202,654		
	Divide by: Total Current Liabilities	4,253,900		
	Current ratio	2.16		
Acid test ratio	Quick assets (*Total Current Assets less Inventories and Other Current Assets)* divided by Total Current Liabilities		1.39	1.48
	Total Current Assets	9,202,654		
	Less: Inventories	3,161,979		
	Other current assets	115,697		
	Quick assets	5,924,978		
	Divide by: Total Current Liabilities	4,253,900		
	Acid test ratio	1.39		
Solvency ratio	Total Assets divided by Total Liabilities		2.32	2.33
	Total Assets	11,770,716		
	Divided by: Total Liabilities	5,072,257		
	Solvency ratio	2.32		
Debt-to-equity ratio	Total Liabilities divided by Total Equity		0.76	0.75
	Total Liabilities	5,072,257		
	Divided by: Total Equity	6,698,459		
	Debt-to-equity ratio	0.76		
Asset-to-equity ratio	Total Assets divided by Total Equity		1.76	1.75
	Total Assets	11,770,716		
	Divided by: Total Equity	6,698,459		
	Asset-to-equity ratio	1.76		
Interest rate coverage ratio	Earnings before interest and tax divided by Interest expense		18.38	25.86
	Earnings before interest and tax	597,777		
	Divided by: Interest expense	32,530		
	Interest rate coverage ratio	18.38		
Return on average equity	Net income attributable to owners of the Parent Company divided by average equity (net of Non-controlling interest)		3.06%	3.11%
	Net income	153,836		
	Divided by: Average equity	5,029,568		
	Return on equity	3.06%		

Ratio	Formula		Current Year	Prior Year
Return on average assets	Net income divided by average Total Assets			
	Net income	358,064	2.97%	3.02%
	Divided by: average Total Assets	12,047,351		
	Return on assets	2.97%		
Gross profit margin	Gross profit (*Net sales less cost of sales and services)* divided by Net sales			
	Net sales	13,175,073	30.78%	33.22%
	Less: Cost of sales and services	(9,119,396)		
	Gross profit	4,055,677		
	Divided by: Net sales	13,175,073		
	Gross profit margin	30.78%		
Profit before tax	Income before income tax divided by Net sales			
	Income before income tax	565,247	4.29%	4.84%
	Divided by: Net sales	13,175,073		
	Profit before tax	4.29%		
Earnings per share	Net income attributable to owners of the Parent Company divided by average outstanding shares			
	Net income	153,836	0.38	0.41
	Divided by: Outstanding shares	400,161		
	Earnings per share	0.38		
Book value per share	Total equity (net of non-controlling interest) divided by average outstanding shares			
	Total equity	4,872,800	12.18	12.90
	Divided by: Outstanding shares	400,161		
	Book value per share	12.18		

Concepcion Industrial Corporation and Subsidiaries

Additional Components of Financial Statements
A Map Showing Relationships between and among the Parent Company and its
Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
As at December 31, 2022



Annex 68-D

Concepcion Industrial Corporation and Subsidiaries
308 Gil Puyat Avenue
Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2022
(All amounts in Philippine Peso)

2022		
Unappropriated retained earnings, based on audited financial statements, beginning		3,175,906,865
Less: Treasury shares		(172,108,440)
		3,003,798,425
Add: Net income actually earned/realized during the year	480,750,956	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)		
Unrealized actuarial gain		
Fair value adjustment		
Fair value adjustment of investment property resulting to gain		
Adjustment due to deviation from PFRS/GAAP - gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Sub-total	480,750,956	
Add: Non actual losses		
Depreciation on revaluation in revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of investment property (after tax)		
Net income actually earned during the year	480,750,956	480,750,956
Add (Less):		
Dividend declarations during the year		(401,855,091)
Appropriations of retained earnings during the year		
Reversals of appropriations		
Effects of prior period adjustments		
Treasury shares		(69,356,224)
Accumulated share in income of an associate		
Unappropriated retained earnings, end		3,013,338,066

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CONCEPCION

CONCEPCION INDUSTRIAL CORPORATION
Corporate Information

Corporate Offices

Makati
308 Sen. Gil Puyat Ave., Makati City
Metro Manila, Philippines 1209
Tel. No.: +632 8772-1819

Alabang
Km 20 East Service Road South Superhighway
Alabang, Muntinlupa City, 1771, Philippines
Tel. No.: +632 8850-1367

Common Stock

The Company's common stock is listed and traded on the Philippine Stock Exchange under the ticker "CIC."

Stakeholder Inquiries

For inquiries or concerns from analysts, institutional investors, and the financial community, please contact Investor Relations: investorrelations@cic.ph

For Corporate Partnerships, Media and Alumni Relations, please contact Corporate Communication and Marketing: *corpcomm@cic.ph*

For Careers: *careers@cic.ph*

Shareholder Services and Assistance

For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificates, please contact our stock transfer agent:

Stock Transfer Service, Inc.
34th Floor, Rufino Plaza
Ayala Avenue, Makati City
Tel. No.: +632 8403-2414 / +632 8403-2410

Maria Corazon P. Biag
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Concepcion-Carrier Air Conditioning Company (CCAC)
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www.carrier.com.ph

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www.condura.com

Concepcion Midea Philippines, Inc. (CMIP)
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Concepcion OTIS Philippines, Inc. (COPI)
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