ANNUAL REPORT 2023

Rising Stronger, Together

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About the Cover

The 2023 Annual Report cover art conveys CIC's optimistic outlook for the future and captures the spirit of our journey over the past year. It suggests that we are not simply recovering from challenges but are emerging stronger and more prepared for what lies ahead. "Rising Together" represents the collective efforts that have driven our organization forward over the past year. The theme also celebrates not only our resilience and growth but also the unity and collaboration that have been instrumental in overcoming challenges and seizing new opportunities While navigating a future marked by rapid change, CIC remains committed to its vision of providing technology solutions to create joyful spaces for customers and communities.

About the Report

"Rising Stronger, Together" emphasizes the significant achievements and milestones we have reached, demonstrating our capability to grow and thrive in the face of adversity. In 2023, CIC maintained financial stability, strengthened its technology, and launched new initiatives. Since the pandemic affected the nation, CIC has underscored the need to continuously innovate to serve customers better. This renewed drive propels the Company into the future, creating healthier and happier spaces for all Filipinos.

MESSAGE FROM THE Chairman & CEO

RAUL JOSEPH A. CONCEPCION

> "CIC's success in 2023 is a testament to our ability to adapt and overcome challenges. We are optimistic about the future and committed to delivering value to our stakeholders.

2023 presented CIC with a complex environment characterized by inflation and global instability. Despite these challenges, our Company evolved by focusing on enhancing operational efficiency, market expansion, digital innovation, and strategic partnerships.

We embraced the changes with confidence and determination, focusing on three key areas: growing our revenue and market share, streamlining our processes to achieve efficiency, and emphasizing the need for resiliency.

To succeed, we enhanced operational efficiency, expanded into new markets, embraced digital innovation, strengthened customer engagement, optimized channel and distribution management, and forged strategic partnerships. These efforts have not only helped us recover but have also positioned us for sustained growth and success in the future.

Growing Our Revenue and Market Share

In 2023, we invested in revitalizing our brands while exploring new opportunities to strengthen and complement our core businesses. We broadened our market reach, particularly in emerging communities, through our Carrier Community Shops, Condura Negosyo Hubs, and Midea Pro Shops. Additionally, we entered into a distribution agreement to serve the niche market by offering innovative home solutions from SharkNinja.

In response to weaker demand, we developed new channels to reach our customers and launched new products and services. Expanding our distribution channels and re-engaging our customers were key to strengthening our core business. To address rising costs, we optimized and reorganized our cost structure to better serve the market. Throughout these challenges, we remained focused on our long-term objectives, continuing to invest in strategic projects to ensure we are well-prepared for a full recovery.

Enhancing Efficiency

With the ever-changing business landscape, we continuously strengthen efforts in digitization, process, and organizational design improvements. Our approach to data provided strategic advantages in understanding market trends and customer behavior. Additionally, we adopted the "do more with less" principle, which has helped simplify our internal processes.

We expanded our international production footprint and invested in merchandisers to adapt to changing consumer behaviors. Our digital initiatives included the development of a PC Mobile App and STARK, the HVAC industry's first end-to-end digital customer platform. These platforms enhance customer engagement through real-time sales, foot traffic, and competitor analysis data.

Complementing our efforts in digitization, we have adopted GrIT as our operating system. GrIT consists of learning, processes, practices, and principles that enrich our approach to continuous improvement, collaboration, and innovative thinking. It embodies the essence of how we work at CIC, reflecting our passion for innovation and our commitment to making work better and easier.

Resiliency

Resilience at Concepcion means more than just weathering market fluctuations. It is about cultivating deep relationships with customers, understanding their evolving needs, and continuously innovating products to meet their pressing demands. Robust financial planning and maintaining diverse revenue streams ensure stability and allow us to seize unexpected opportunities.

At the core of all these efforts lies our Leadership's Ownership Mindset. Concepcion leaders embody accountability and cultivate a culture of resilience throughout the organization. Our leaders recognize that ownership extends beyond upholding personal accountability to fostering an environment where every employee feels responsible for the Company's success.

Our People: Our Greatest Asset

We recognize that our success is built upon the dedication, creativity, and passion of our team members. This understanding drives our commitment to keep them engaged and continuously provide learning opportunities—fostering an environment where collaboration and innovation flourish. We strive to create a workplace where every individual feels valued, heard, and empowered. By investing in our employees' growth and well-being, we cultivate a sense of belonging and purpose.

> "The future is bright, and we are determined to be at the forefront of the industry. We have invested significantly in our growth journey, always guided by our core mission of creating happy spaces for Filipinos and businesses.

Caring for People and the Planet

Caring for the planet and people is among our core values. In 2023, we made strides in reducing plastic waste, environmental care, and social programs. At CIC, giving back to the community is more than a responsibility; it is a privilege. We are proud to serve the Filipino people and to contribute to the nation's progress. Our efforts are a testament to our unwavering commitment to making a difference and ensuring that our community thrives alongside us. Together, we build a stronger, brighter future for all.

While we achieved financial growth in 2023, we remain vigilant due to rising costs, geopolitical uncertainties, and exchange rate fluctuations. We are expanding our market presence, developing new products, and accelerating our digital transformation to better navigate this landscape.

CIC's success in 2023 is a testament to our ability to adapt and overcome challenges. We are optimistic about the future and committed to delivering value to our stakeholders. Our strong core business, deep customer engagement, and dedicated team position us well to navigate market fluctuations and achieve long-term success. To further strengthen our leadership, we appointed Isaias Ariel P. Fermin as our new CEO, effective January 1, 2024. His expertise will build upon our strong foundation and drive market and thought leadership.

The future is bright, and we are determined to be at the forefront of the industry. We have invested significantly in our growth journey, always guided by our core mission of creating happy spaces for Filipinos and businesses.

> In 2023, we focused on strengthening our core business, enhancing our brands, and deepening our relationship with our customers.

MESSAGE FROM THE

Chief Finance & Operating Officer

RAJAN KOMARASU

CIC concluded the year 2023 with a strong finish despite the economic challenges and uncertainties faced by businesses. We exceeded our commitment to our shareholders and achieved double-digit growth in both revenues and profits amid high inflation and interest rates that dampened consumer demand. CIC sales grew 11% to Php 14.7 billion, while earnings surged 86% to Php 667 million compared to the previous year. Including our associate, Concepcion Midea, Inc. (CMI), our sales reached P18.2 billion, 15% higher than in 2022.

The Consumer segment was affected by inflationary pressures, especially in the first quarter of the year. Despite this, CIC recovered, generating Php 10 billion in net sales or a 3% growth compared to last year. Growth in this segment was mainly driven by residential air conditioners and laundry products, which were partly reduced by a decline in direct cool refrigerators due to a shift in demand. The softness in the Consumer business was mitigated by solid performance in the Commercial business, with sales of Php 4.6 billion or 36% growth compared to 2022, attributable to air conditioning equipment sales from distribution expansion efforts, and significant progress in air conditioning and elevator projects.

Our strategic cost management in manufacturing and imports improved our margins despite rising commodity prices. We also managed operational expenses through cost-saving measures, structural changes, and optimized efficiency through process improvements and leveraging our digital investments.

CIC maintained a strong balance sheet and healthy cash flows, generating Php 1.4 billion in free cash flow. This enabled the business to pivot where growth opportunities are and continue investing in technology and our people. We returned Php 199 million of cash to our shareholders through dividends in 2023. Furthermore, because of the Company's strong 2023 financial performance, we have declared cash dividends of Php 0.70 per share for all common stockholders of record as of April 15, 2024.

In 2023, we focused on strengthening our core business, enhancing our brands, and deepening our relationship with our customers. Our digital initiatives have been instrumental in providing us with valuable data and analytics about our customers and businesses. While these insights might not show immediate tangible advantages, they have enabled us to strategize more effectively and implement timely action plans. These investments have positioned us to scale up and increase our volume.

This year, our Enterprise Risk Management (ERM) focused on building a solid foundation to promote accountability for risks, transparent reporting, and proactive mitigation across the organization. Implementing ERM in our business units has enhanced the capture, visibility, tracking, and monitoring of risk events. We conducted structured risk assessments covering strategic, financial, operational, technological, legal, and talent management perspectives using standardized tools and terminology. ERM will continue to be crucial in helping us adapt and strategically pursue new opportunities.

> Our vision extends beyond simply recovering from the pandemic. We will strive to be more adaptable, agile, and flexible in the coming year.

The year 2023 stands as a testament to the dedication and resilience of our employees and management. We express our gratitude for this unwavering commitment. We will build on this momentum to deliver exceptional value to our investors and stakeholders. Our vision extends beyond simply recovering from the pandemic. We will strive to be more adaptable, agile, and flexible in the coming year. We are excited to continue exploring growth and innovation, delivering sustainable solutions for Filipinos.

About Concepcion Industrial Corporation

Concepcion Industrial Corporation (CIC) is the leading provider of air conditioning solutions, refrigerators, consumer appliances, and building and industrial solutions in the Philippines. The Company's prestige is built on its comprehensive industry knowledge, understanding of end-user needs, strategic alliances, and joint ventures with key partners. These partnerships and significant investments in facilities and capabilities have enabled CIC to develop leading brands and maintain its position as a frontrunner in the industry.

CIC is primarily a company that operates principally through 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).

The Company distinguishes itself from competitors by effectively addressing the diverse needs of its broad customer base. CIC offers a comprehensive product range for consumer lifestyles as well as building and industrial solutions, expanding beyond air conditioners and refrigerators to include laundry, kitchen and small domestic appliances, vertical transport solutions, and HVAC/R parts. It also provides after-market services, such as periodic maintenance, parts supply, repairs, and other services intended to support its products throughout their entire life cycle.

Since being founded in 1962 by Jose Concepcion Sr., the Company has actively expanded its portfolio to meet the needs of every Filipino home and business. CIC looks toward the future and continues to innovate, upholding its commitment to building better solutions and creating happier spaces for all.

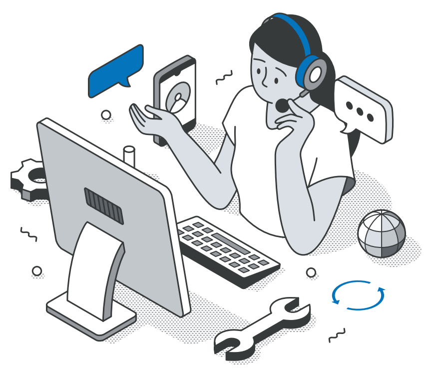
Our Presence

CIC offers reliable end-to-end services and prioritizes long-term relationships with customers.

Developing Excellent Products

- 20,000-sqm Air Conditioning and Refrigeration Factory
- 7 Totaline Parts Stores

Delivering Custom Solutions Nationwide



- Head Office and 8 Regional Branches
- 170 Accredited Installer Companies
- 100+ Service Centers
- Nationwide Sales Presence with 10,000+ distribution points

Bringing Seamless After-Sales Experiences

- Periodic Maintenance
- Parts Supply
- Product Repairs
- Other Product-Related Support Services

Our People

- 2,000 Technicians
- 888 Employees
- 1,500+ In-Store Merchandisers

Data-Driven Innovation

- Weekly Point-of-Sale (POS) System

A Journey Towards Building Better Lives for Filipinos

1962–2000: Strengthening Partnerships and Brand Building

1962

- Concepcion Industries Inc. (CII) was established

- Carrier license was obtained

1977

- Kelvinator license was obtained

1987

- CII launched the Condura brand

1997

- Concepcion-Carrier Air Conditioning Company (CCAC) was formed through a joint venture with United Technologies Corporation (UTC) and its subsidiary Carrier Corporation (USA)

2000–2012: Forming the Local Organization

2006

- Concepcion Durables Inc. (CDI) was created as the manufacturer and distributor of Condura

2009

- Totaline license was obtained

2010

- Carrier Linde Refrigeration was acquired by CCAC

2013: Integration and Focus

2013

- CII was renamed into Concepcion Industrial Corporation (CIC)
- CIC had Its Initial Public Offering (IPO)

- CIC signed a joint venture with the Midea Group

2014–2017: Growth and Expansion

2014

- CIC signed a joint venture with United Technologies Corporation (UTC) to introduce Otis in the market and strengthen the commercial solutions offerings of the Company
- Raul Joseph A. Concepcion, Chairman & CEO, wins an Asia Pacific Enterprise Award (Outstanding Category)

2015

- CIC was recognized at the Asia's Best Companies Poll: 1st place - Best Small Cap, 6th place - Best Investor Relations, and 6th place - Best Corporate Governance

2016

- Concepcion Business Services Inc. (CBSI) was formed
- Raul Joseph A. Concepcion, Chairman & CEO, was a Finalist in the CEO of the Year category at the Asia CEO Awards
- CIC was awarded 1st place in the Best Small Cap category at the Asia's Best Companies Poll

2017

- CIC's commercial division was relaunched as Alstra
- Cortex Technologies Inc. was formed

2017–2023: Transformation

2018

- CIC migrates to SAP S/4HANA®, a future-ready enterprise resource planning (ERP) system

2019

- CIC begins tech ventures expansion and innovation investments (AllCare, Teko, Studio Dresden, and Tenex)

2020

- CIC launches WeCARE and expands its CSR and emergency response programs
- CIC invests in digital platforms
- CIC launches ConcepStore Appliance Store, SureServ, and CNX for Home

2021

- SmartTech and CRAFT after-sales groups were formed
- Worked with Oracle to improve online customer experience
- Rebranded the Concepcion logo and restated its core values, mission, and vision

2022

- CIC celebrated its 60th Anniversary: Commemorating 6 Decades of Building Better Lives

2023

- CIC forms strategic partnership with SharkNinja

1996–2023
Carrier was voted as one of the Most Trusted Air Conditioner brands in the Philippines at the Reader's Digest Trusted Brand Awards

2006–2022
Condura was voted as one of the Most Trusted Refrigerator brands (15 awards) and one of the Most Trusted Air Conditioner brands (8 awards) in the Philippines at the Reader's Digest Trusted Brand Awards

Mission and Purpose

We thrive on creating happy spaces for the Filipino people, fueled by our mission to bring these spaces to life.

We go beyond offering products, services, and solutions by leveraging our expertise and technology to address the specific pain points and needs of the families and businesses we serve. We promise convenience, growth, and positivity in their everyday spaces, and we envision becoming an integral part of the homes and businesses in the country. In doing so, we empower everyone to build better lives.

Our Chairman and CEO, Raul Joseph Concepcion, reflects on the Company's spirit:

> **"Ultimately, it's all about people—focusing on human-to-human experiences and interactions; making the people we serve the center of our business and fully understanding their needs is key to our success."**

Core Values

INNOVATING FOR HAPPIER OUTCOMES
We are always looking for new and better ways to ensure happier outcomes for the people we serve by utilizing the power of technology.

GOING ABOVE AND BEYOND
We cultivate a sense of ownership in our employees to fulfill our commitment to customer satisfaction with urgency and consistency.

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

MAKING CUSTOMERS HAPPY
Our customers' happiness guarantees our success as a business. We are always listening and learning to find new and better ways to serve.

CARING FOR PEOPLE AND THE PLANET
We are keenly aware of our responsibility to current and future generations. We promote environmental protection because we care for our customers and our people. Their safety and development matter to us.

DOING OUR BEST ALWAYS
We maintain high standards for our products and services to ensure they deliver reliability, quality workmanship, and solutions that drive progress. This commitment is made possible by CIC employees, who are dedicated to our customers' satisfaction.

Brand Manifesto

CONCEPCION

We turn EVERY SPACE into an environment where

PEOPLE CAN THRIVE,

with the help of **experts** who know how to make this **possible**.
We empower the **entrepreneurial spirit** by seeking **innovative solutions** for businesses. We use **technology** and **innovation** to make life

EASIER, HEALTHIER, AND MORE COMFORTABLE.

Our principle is to **transform the everyday** into something **extraordinary.**
That's why we continually search the globe for the **best technology and innovations.**
Bringing global advancements to local customers enables us to bring

HAPPY SPACES TO LIFE.

Our Brands

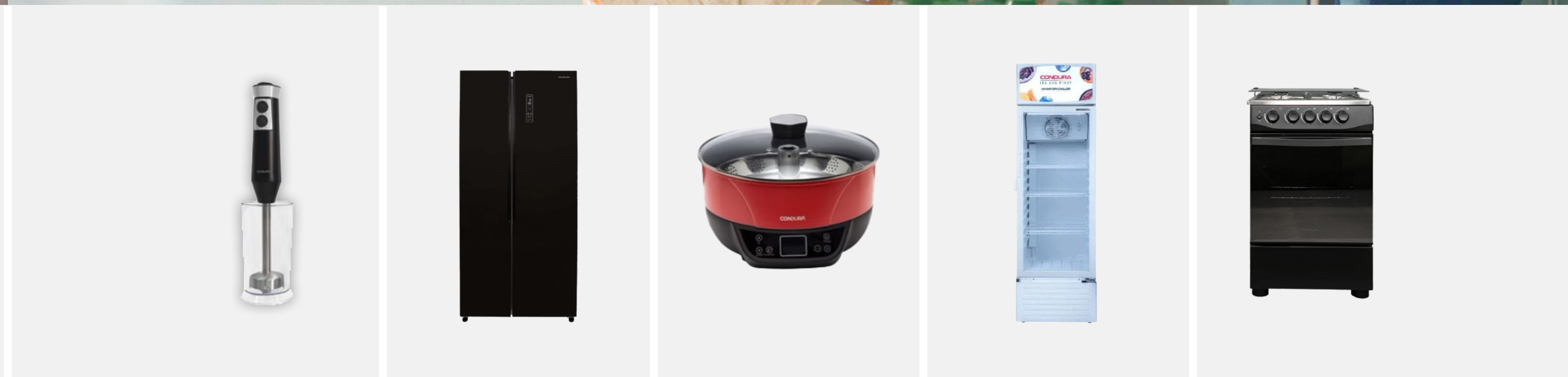
Carrier
CONDURA
Midea
TOSHIBA
OTIS
Kelvinator
TOTALINE
Shark | NINJA

Carrier
The Air Authority

Since 1915, Carrier has been delivering products that provide refreshingly cool air, more so than any other brand. Carrier designs and develops solutions that enhance homes and indoor environments, ensuring everyone can enjoy healthy, productive, and comfortable lives.

Condura
An Excellent Choice for Every Filipino Home and Business

A proudly homegrown brand introduced in 1987, Condura's line of high-quality and durable cooling and refrigeration solutions is a product of local ingenuity and innovation. It features quality materials designed for Philippine conditions.



Maintaining Customers' Confidence

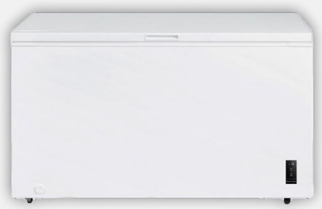
The 2023 Reader's Digest Most Trusted Brand Awards recognized CIC's Condura and Carrier as among the most trusted brands in the country. On April 14, 2023, leaders in the marketing industry gathered at the Marco Polo Ortigas to celebrate the most innovative and reliable brands of the year.

The Awards' 25th anniversary further highlights the value of consistently earning customers' trust. Reader's Digest commissioned Catalyst Research, an independent research agency, to determine the most trusted brands across the region. They conducted an online survey that gathered the opinions of 8,000 individuals from the Philippines, Singapore, Malaysia, Hong Kong, and Taiwan.

Midea

Leading the World in Home Appliances

Midea can provide everything a home could need, covering a wide array of products ranging from electric kettles and microwaves to washing machines and air conditioners. Midea thrives in over 150 countries, including the Philippines.



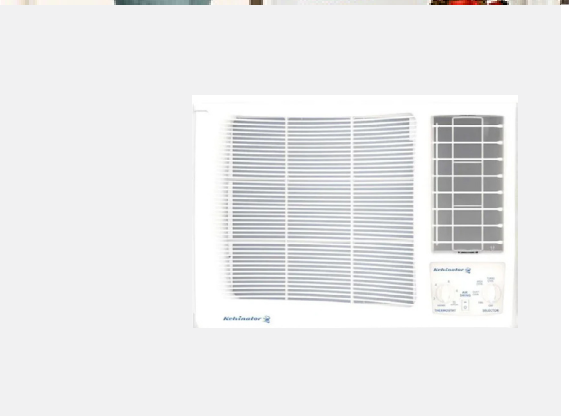
Toshiba

A Trusted Name in Japanese Innovation

Toshiba is a world-renowned Japanese brand famous for its diversified portfolio of products, including electronics, consumer appliances, and industrial machinery. It cemented its legacy in 1981 by inventing the groundbreaking inverter technology that revolutionized modern air conditioning. Choosing Toshiba ensures precision, quality, and technology developed through Japanese innovation.

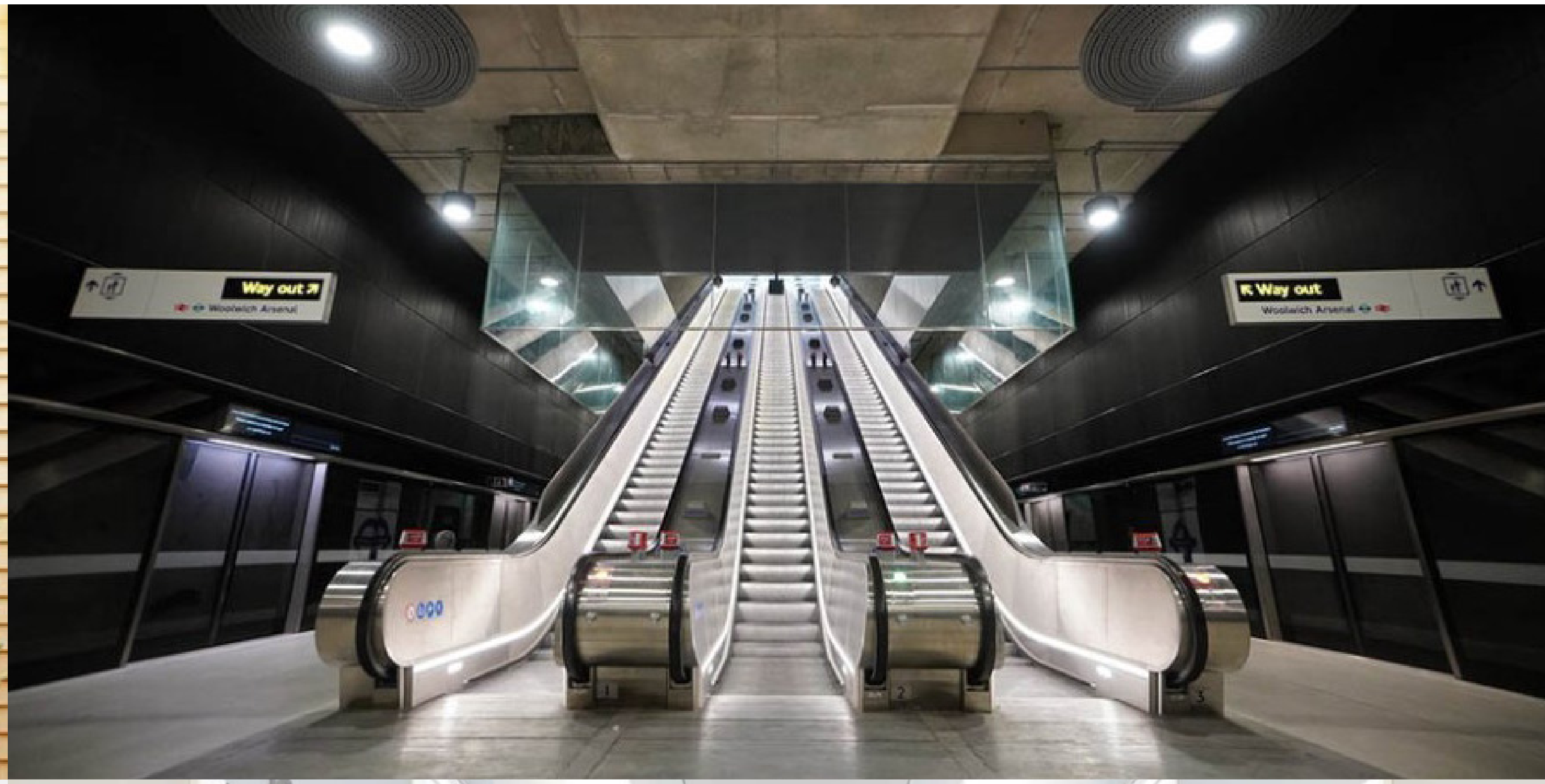
Kelvinator
Quality and Affordability That Fit Your Lifestyle

Kelvinator specializes in providing high-quality appliances that deliver reliable performance and modern convenience that fit every budget. Kelvinator's products balance great functionality and value for money while offering a respectable image customers can be proud of.



Otis
Moving the World Ahead

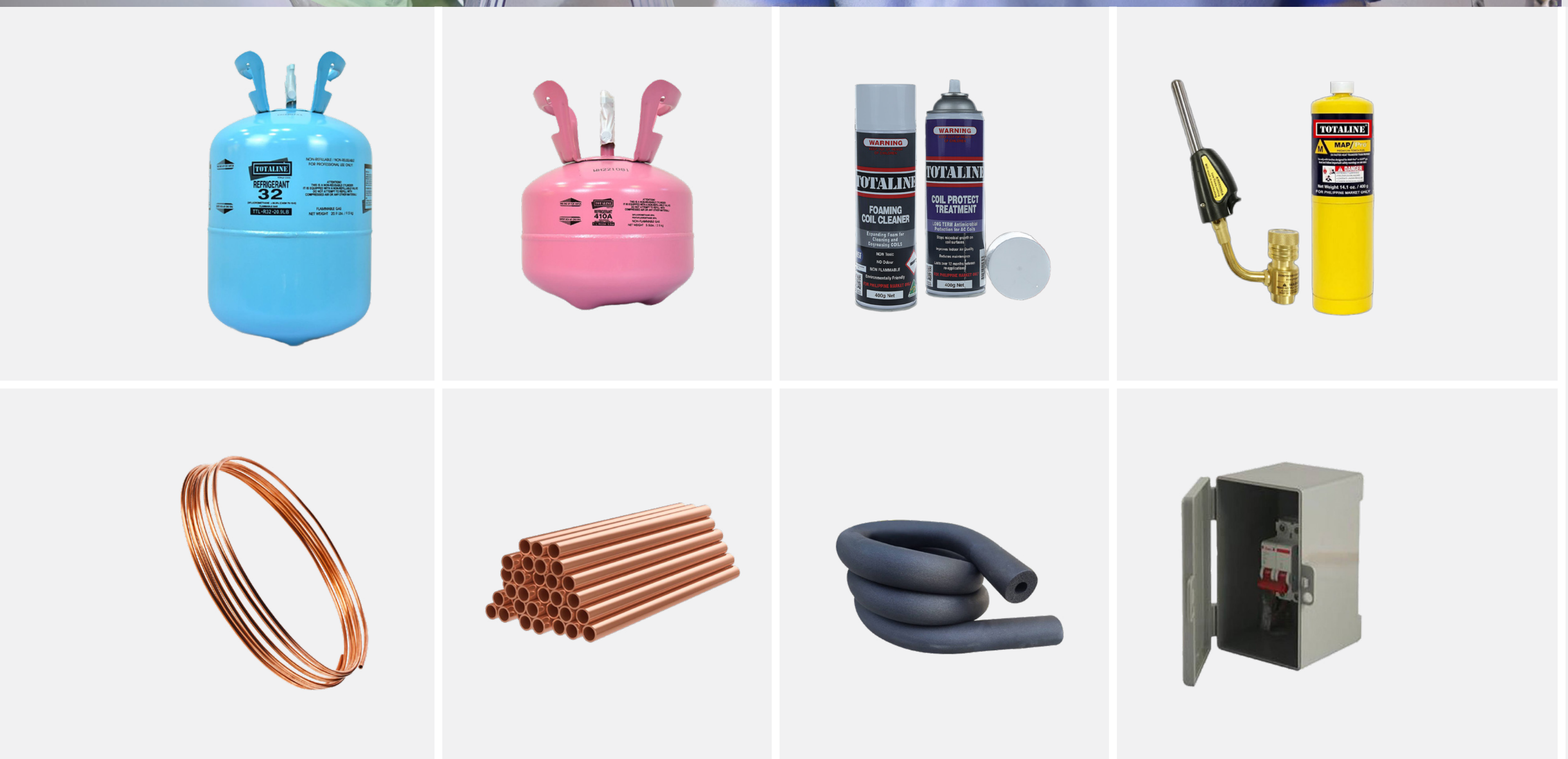
Otis is a leading manufacturer of escalators, elevators, and moving walkways in over 200 countries and territories. In the Philippines, the company was renamed Concepcion-Otis Philippines, Inc. shortly after entering into a joint venture with CIC in 2014.



Totaline

The Most Dependable Supplier of Ventilation, Heating, and Air Conditioning Parts

Totaline is the exclusive local and global supplier of original spare parts and essential components for various HVAC brands, including Carrier, Condura, Kelvinator, and Midea. As a proven and reliable one-stop-shop, Totaline continues to provide nothing less than the highest-quality parts worthy of your cooling and refrigeration products.



SharkNinja

Real Solutions for Real Life

SharkNinja enriches lives worldwide with its meticulously crafted products that seamlessly merge cutting-edge technology, functional design, and superior performance. Shark and Ninja are global brands renowned for innovative products that simplify and elevate daily life experiences.









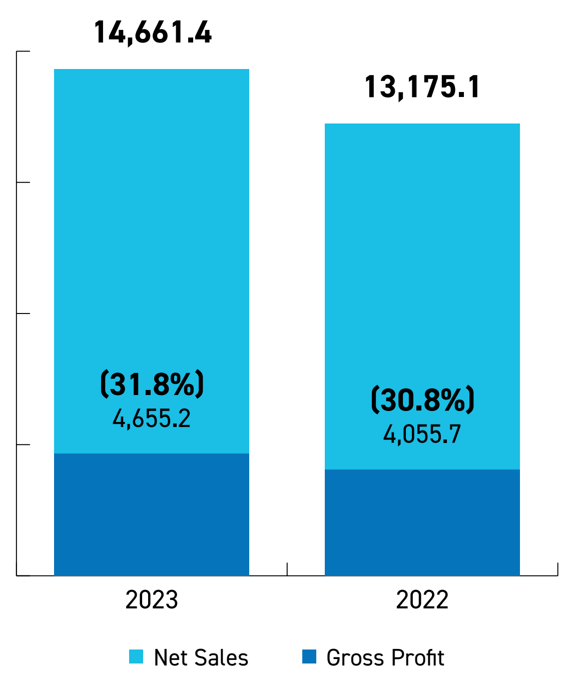

2023 Captured: A Year in Photos

Financial Highlights

(In Million Php)

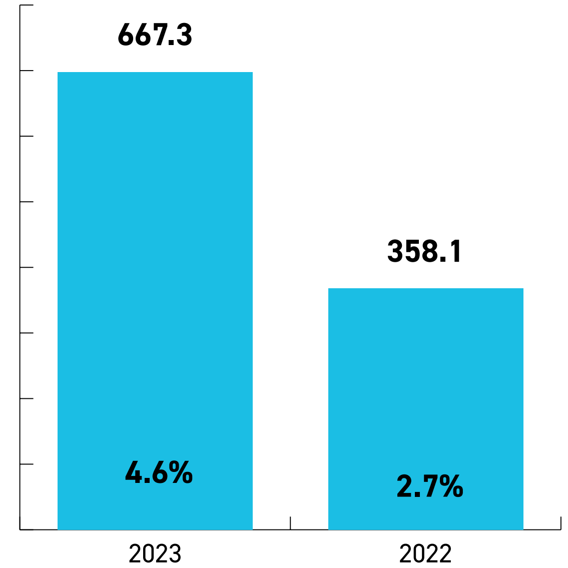
	2023	2022	Vs. Prior Year
Net Sales	14,661.4	13,175.1	+1,486.3
Gross Profit	4,655.2	4,055.7	+599.5
Gross Profit Margin (%)	31.8%	30.8%	+1.0 pts
Operating Expenses (OPEX)	-3,777.7	-3,360	(12%)
% to Sales	25.8%	25.5%	0.3 pts
Profit Before Tax	913.3	565.2	+348.1
Return on Sales (%)	6.2%	4.3%	1.9 pts
Profit After Tax (PAT)	667.3	358.1	+309.2
PAT %	4.6%	2.7%	1.9 pts
Net Income Attributable to Shareholders	383.3	153.8	+229.5
FY Return on Average Equity (%)	7.7%	3.1%	+4.6 pts
FY Return on Average Assets (%)	5.6%	3.0%	+2.6 pts
Earnings per Share	1.0	0.4	+0.6
Number of Shares	397.9	400.2	-2.3
Debt to Equity Ratio	0.8	0.8	No change
Asset to Equity Ratio	1.8	1.8	No change
Current Ratio	2.2	2.2	No change
Book Value per Share	12.7	12.2	+0.5

Net Sales and Gross Margin



+11%
Growth in Sales

Profit After Tax and PAT %



+86%
Growth in Earnings (PAT)

Innovating a Brighter Future for Filipinos

The Company has always strived to break through barriers and surpass everyone's expectations of excellence. It continues to evolve by investing in technologies, expanding its products and services, and entering joint ventures with prominent brands. Especially in the past decade, CIC has accelerated its efforts to reach more Filipinos.

Since then, the Company has established itself as a trusted brand and partner nationwide. During the 2023 Listing Anniversary, Chairman and CEO Raul Joseph Concepcion expressed, "We are immensely proud and honored to celebrate this milestone of our 10th Listing Anniversary. This decade has been a journey filled with achievements, growth, and learning. We owe our success to our stakeholders, whose unwavering trust and support have propelled us forward."

Moving forward, CIC remains committed to maintaining its market leadership through further innovation, sustainability, and growth. The Company is optimistic about future opportunities and aims to continue improving the lives of all its customers and clients.

Our Pledge to Innovate

The world is quickly changing, but one thing remains constant—CIC's pledge to innovate. We utilize technology and processes to make Filipino lives better.

We are venturing into new and diverse offerings to touch more lives. However, our core remains the same: to provide convenience to businesses and homes throughout the country. We enhance Filipino families' quality of life by integrating home technologies and understanding their lifestyles to offer tailored solutions.

We are also strengthening our relationships with our business partners by being their trusted solutions provider and going beyond the traditional transactional relationship.

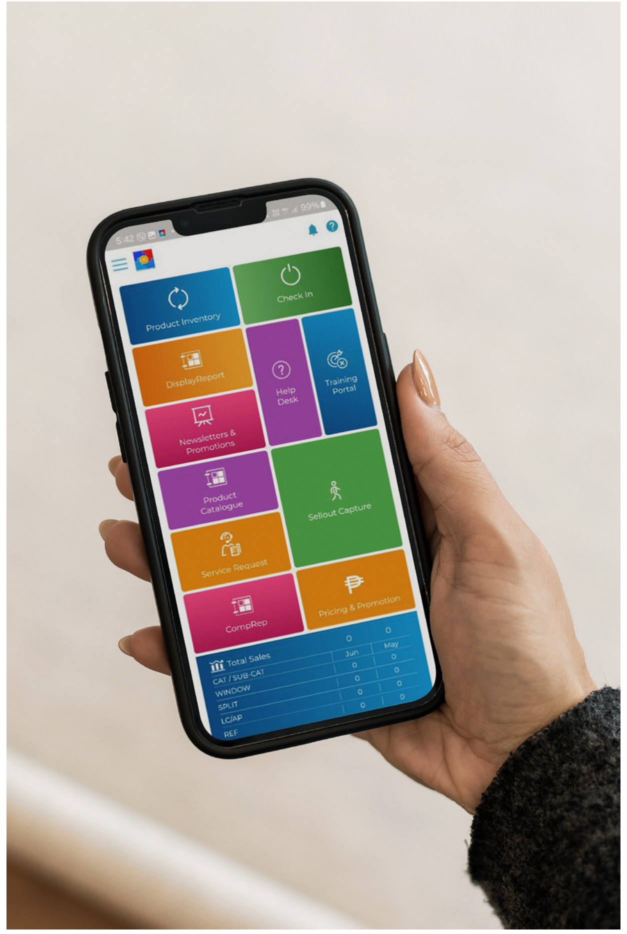
We believe that constant collaboration drives innovation, empowering diverse groups of individuals to work together and deliver new solutions for our customers.

In an era marked by constant and rapid progress, CIC rises to the challenge of transformation. As this period unfolds, it is imperative for everyone in the Company to embrace change across its various facets. In doing so, we can continue to invigorate the spaces where both people and businesses thrive.

Transforming Customer Experience

Digital transformation is crucial for expanding market presence to thrive in the current competitive landscape. CIC recognizes this and goes beyond seeking a competitive advantage, focusing on creating positive experiences for all customers at every touchpoint. The Company has been heavily investing in digital transformation, using technology and data to elevate its services and strengthen customer relationships.

Previously, customers were limited to disaggregated hotline support from CIC's brands. The Company's new approach to its operations has resulted in a multi-platform approach that offers social media platforms, websites, a real-time PC mobile application, and Viber community groups. In 2023, Concepcion-Otis Philippines, Inc. (COPI) achieved a significant milestone by unveiling a brand-new website. Looking ahead, CIC aims to establish a centralized number for all brands in 2024.



Stark: Revolutionizing Digital Customer Solutions

In 2023, CIC introduced Stark, a digital platform integrating customer, project, and service management with the Company's financial data. Powered by Oracle, a leader in digital experience, Stark offers a first-of-its-kind solution in the country. Its features encompass Marketing, Service Operations, Data Analytics, Customer Management, Project Management, and Service Management.

Stark is designed to empower customers. It provides end-to-end solutions created to enhance customer service, make agile and data-driven business decisions, and use data and analytics to bolster competitive advantage. Customers gain real-time access to orders, projects, and asset performance. It also enables proactive aftermarket services, like maintenance alerts.

Internally, Stark is a game-changer. It optimizes resources, streamlines workflows, and accelerates problem resolution. The platform is equipped with built-in alerts that notify a sales engineer in case of delays or issues with particular sites or products. It also allows CIC to avoid penalties from installation and service issues, delayed projects, or late billings through real-time updates and customer acknowledgment at the site.

Since its launch, CIC has fostered the use of Stark among the sales team through regular training and guidance. The Company also assists customers in adapting to its paperless transactions by reaching out to them via its various platforms.

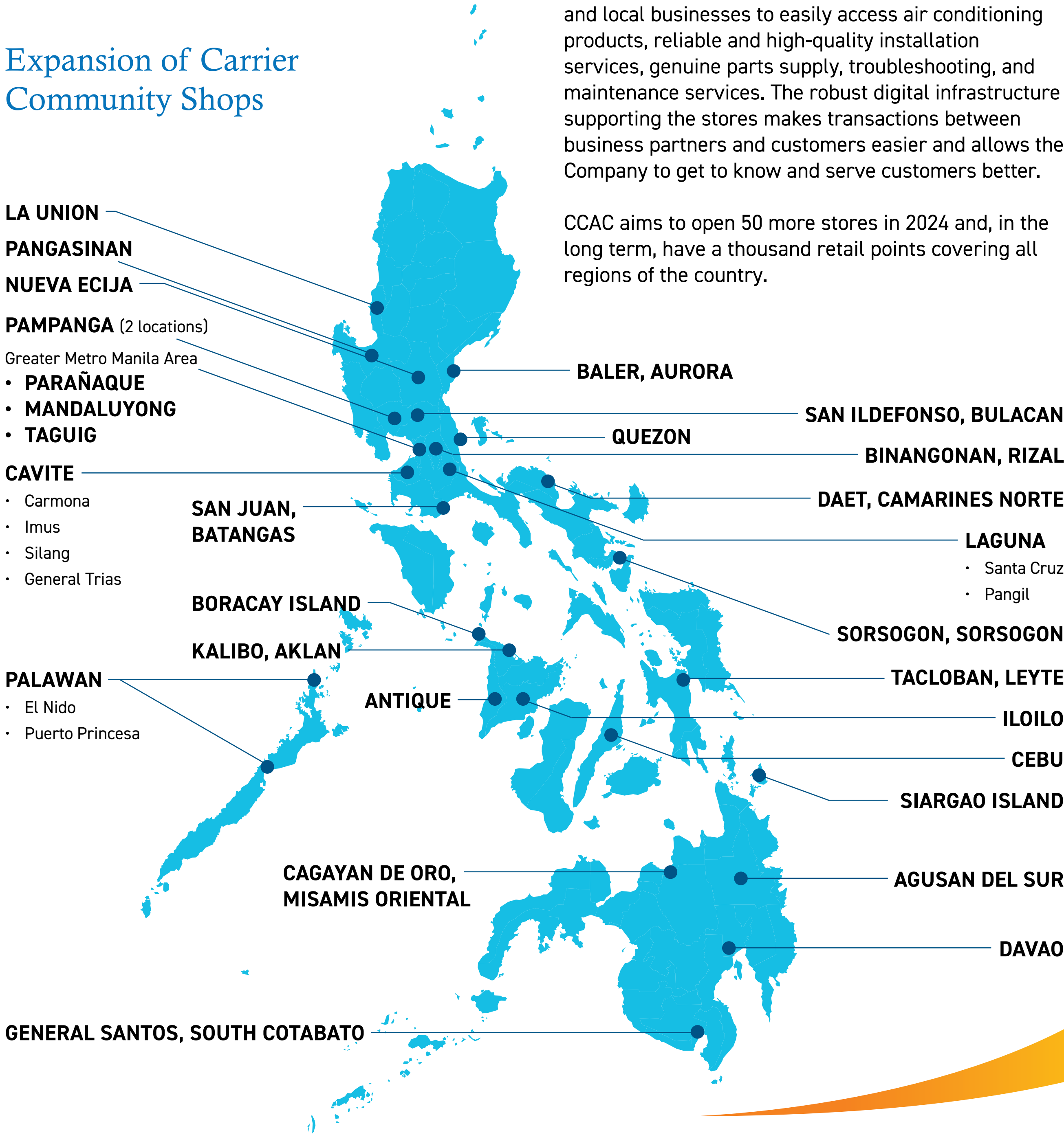
Looking ahead, CIC aims to maximize Stark's potential, leveraging it to adapt to the evolving digital landscape and emerging customer expectations.

Driving Innovation and Entrepreneurship Through Carrier Community Shops

CIC, through the Concepcion-Carrier Air Conditioning Company (CCAC), launched 30 new Carrier Community Shops nationwide in 2023. Also known as the C1000 Project, these shops strategically expand CIC's reach. The Carrier Community Shops are one-stop shops for all air conditioning solutions, allowing families and local businesses to easily access air conditioning products, reliable and high-quality installation services, genuine parts supply, troubleshooting, and maintenance services. The robust digital infrastructure supporting the stores makes transactions between business partners and customers easier and allows the Company to get to know and serve customers better.

CCAC aims to open 50 more stores in 2024 and, in the long term, have a thousand retail points covering all regions of the country.

Expansion of Carrier Community Shops



Empowering People and Optimizing for Success

CIC credits its rich legacy to its employees, or iCONs, the critical drivers of its purpose to create happy spaces for Filipinos. As the Company forges ahead, it has been doubling its efforts to foster a culture of innovation, collaboration, and continuous improvement.

CBSI Wins at the 2023 Best Culture Award for its Positive Workplace

Concepcion Business Services, Inc. (CBSI) was named a Culture Innovator at the 3rd Annual Kudos Best Culture Awards. This recognition honors organizations with unique, creative, and impactful approaches to building positive workplace experiences.

Hosted by Kudos, a leading employee recognition platform, the awards celebrate efforts in boosting engagement, reducing turnover, and driving performance.

CBSI excelled in several key areas, namely workplace culture, measurable results, and innovation. The award reflects their fervent commitment to cultivating a positive environment for iCONs.

CIC regularly conducts engagement activities to celebrate employee milestones, instill company values, and spark meaningful conversations. The annual Service Awards are a much-awaited employee appreciation event celebrating iCONs' milestones. The bi-monthly "Kamustahan with Raffy" is another important initiative and is hosted by Rafael "Raffy" Hechanova Jr., CIC's Chief Corporate Affairs Officer, to exchange stories and ideas about CIC's growth and improvement. The Company also celebrated special occasions and held programs for Valentine's Day, Flores de Mayo, and Buwan ng Wika (Philippine Folk Dance Competition). Mother's Day and Father's Day were also made special, with CIC giving gifts to employees who are parents to show its appreciation for their efforts.

Additionally, CIC subsidiaries Concepcion Durables Inc. (CDI) and Concepcion Otis Philippines Inc. (COPI) organized activities in 2023 that reinforced CIC's GREAT strategic pillars for a dynamic company culture: G for Goal; R for Play Your Roles Well; E for Deliver Excellence; A for Take Accountability; and T for Think Teamwork.

The Company promotes a growth mindset to empower employees with tools, methodologies, skills, and knowledge to excel in their careers. iCONs actively participated in various forums, talks, learning sessions, and conferences throughout the year.

GrIT: Making Work Better and Easier

On January 27, 2023, CIC launched the Great Innovation Thinking, Tools, and Tribes (GrIT) program, motivated by the goal of continuously improving. GrIT has three components to building a culture of innovation, which is composed of thinking, tools, and tribes. "Thinking" follows a set of principles; "tools" refer to learning methodologies; and "tribes" focus on the collaboration necessary for implementing projects.

A total of 926 iCONs participated in the sessions and learned about methodologies that facilitate innovative thinking and execution. CIC commenced the learning sessions with the Lean Six Sigma (LSS) Learning Series, which is part of the "tools" component. During the workshops, iCONs gained a comprehensive understanding of the principles, tools, and techniques that they can apply to their roles in the Company. Additionally, it empowered employees and management with a common language and understanding of innovation.

CIC also launched the GrIT Concept Hub in 2023, an internal online platform where iCONs can freely submit their ideas on improving processes.

The Company foresees many opportunities stemming from this program, enabling CIC to anticipate a brighter future that is informed and powered by its people.

The 100 Leaders Project: Elevating Leadership Excellence

Recognizing their crucial role in propelling the Company into the future, executive officers from the subsidiaries collaborated to design the 100 Leaders Project. Launched on May 11, 2023, the program was created to enhance the skills of leadership teams across CIC's subsidiaries. Eventually, these skills and knowledge will be cascaded to all iCONs, so that each team member can become capable problem solvers and innovators.

Corporate Social Responsibility

The Company continues to expand its mission of building better lives for Filipinos, with initiatives beyond serving customers to positively impact the planet and the larger community. In particular, CIC has touched many lives through initiatives on entrepreneurship, environmentalism, education, and emergency response. The Company's commitment to people is fueled by a culture of volunteerism, compassion for current and future generations, and the goal of implementing sustainable business practices.

CIC's Corporate Social Responsibility Pillars

ENTREPRENEURSHIP: The Company contributes to building resilient and thriving communities by creating jobs and encouraging local businesses.

ENVIRONMENTALISM: CIC ensures that its business processes and practices prioritize the well-being of both people and the planet.

EDUCATION: By fostering education, the Company empowers individuals to drive progress and contribute to nation-building.

EMERGENCY RESPONSE: CIC cares for the community and cultivates compassion, especially in times of need.

In 2020, CIC proactively conducted several charitable programs in recognition of its responsibility to respond to the needs of various stakeholders. The Company launched donation projects for medical institutions and facilities, alleviating the burdens they experienced during the COVID-19 pandemic. Disaster relief initiatives were also implemented, demonstrating CIC's commitment to the well-being of vulnerable households.

The Company aims to continue uplifting communities and caring for the environment by delivering more meaningful and impactful programs in the future.

For Our Environment

Businesses and individuals share the responsibility of protecting the planet.

Studies from 2019 collated by Our World in Data reveal a staggering 82 million tonnes of plastic are mismanaged globally each year. This figure pertains to plastic waste that is not recycled, incinerated, or kept in landfills, resulting in harm to wildlife and ecosystems. In the Philippines alone, 4.03 million tonnes are mismanaged annually, with Filipinos generating an estimated 37.23 kg per person.

As an industry leader, CIC has taken concrete steps to become more sustainable. This aligns with the Extended Producer Responsibility Act (EPRA), which holds companies accountable for their products' impact, particularly plastic packaging waste. In 2023, CIC focused on managing its own plastic wastes and encouraging employees to adopt greener practices.

Tackling Plastic Pollution: iCONs Celebrate World Earth Day

The Company celebrated World Earth Day through a Plastic Waste Collection Drive, with employees contributing 422 liters worth of bottles and containers.

With the help of Hands On Manila, a valued partner organization, CIC diverted plastic waste from the landfill. Aside from reducing the Company's environmental impacts, this initiative was also able to upcycle the plastics into construction materials and school supplies, which benefited households and C.P. Sta. Teresa Elementary School, the recipient school.

The impactful program culminated in a collaborative event at C.P. Sta. Teresa Elementary School in Taguig City, which was co-hosted by Hands On Manila. Additionally, CIC donated funds for the purchase of 3-liter waste receptacles to bolster the school's ongoing recycling efforts.

Hands On Manila is a volunteer organization that implements diverse community-driven programs. By collaborating with like-minded organizations, CIC was able to maximize the reach of its environmental stewardship and community engagement efforts.

Towards a Circular Economy: Offsetting CIC's Plastic Footprint

In a significant step towards a greener future, CIC collaborated with the Plastic Credit Exchange (PCX) to take responsibility for its plastic footprint. This strategic partnership goes beyond the collection and disposal of waste and, instead, enables the Company to identify practical solutions and contribute to a circular economy. PCX lends its expertise to companies, institutions, and communities to contribute to a healthy ecosystem, promote responsible waste management, and foster socio-economic development.

The Company signed an agreement with PCX on July 18, 2023, to assist with auditing the plastic waste generated and proposing solutions to reduce its plastic footprint. Throughout the year, the program facilitated the collection of 478,000 kg of plastic. This is equivalent to diverting more than 159.23 million pieces of 3-gram plastic sachets from the environment.

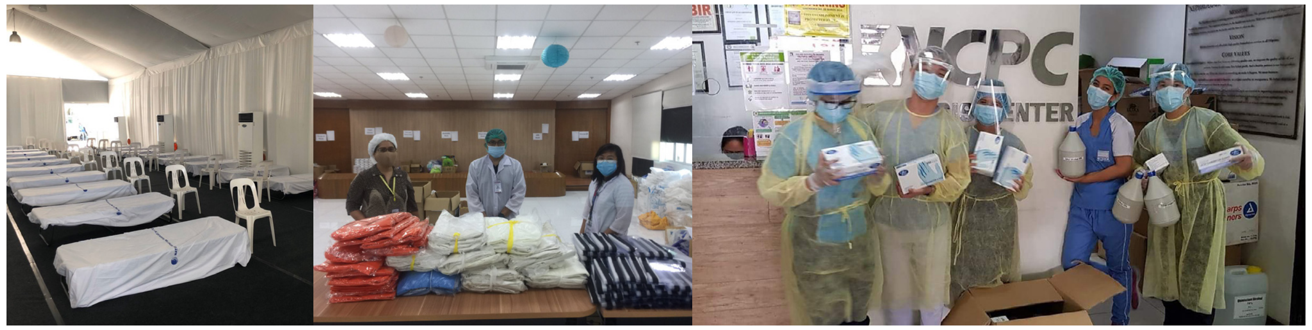
478,000 kg of collected plastic = diverting more than **159.23 M** of 3-gram plastic sachets

CIC believes in the capacity of its employees to drive change and actively engages with them to integrate sustainability into the Company's operations. In line with this, PCX and CIC held a learning session on "Change: Addressing Plastic Pollution Empowering and Embracing Responsible Practices" that equipped iCONs with awareness of the adverse impacts of plastic pollution.

Among the Companies' subsidiaries, Concepcion-Carrier Airconditioning Company (CCAC), Concepcion Durables Inc. (CDI), Concepcion Midea, Inc. (CMIP), and Cortex Technologies Corporation fall within the scope of EPRA and are mandated to actively manage at least 80% of all post-consumer plastic packaging by 2028. Through their collective efforts, CIC aims to champion environmental stewardship and set an example for the industry by going beyond the target of collecting 20% of plastic packaging. Instead, the Company has dedicated itself to recovering 100% of all post-consumer plastic packaging before the mandated target year.

For Our Communities

CIC has a long-standing mission of caring for all Filipinos, especially in times of need. During the pandemic, the Company collaborated with other organizations to support medical institutions. CIC donated products and medical supplies and developed the WeCARE Project, an online platform that efficiently distributed donations.



Distribution of medical supplies and personal protective equipment (PPE) donations through the WeCARE Project

Saving Lives Together: CIC's Blood Donation Drive

In its unwavering commitment to giving back to the community, CIC partnered with the Philippine Red Cross (PRC) to organize successful blood donation drives at its CIC Alabang office and a manufacturing plant in Cabuyao City. Nearly 100 CIC employees showed dedication to a cause affecting countless lives.

According to a June 2023 report, the Philippine Red Cross provides life-saving blood to over 500 patients daily. By supporting the PRC's blood collection drive, iCONs directly contributed to the health and well-being of Filipinos in need.

The Company's collaboration with the Philippine Red Cross dates back to 2000, reflecting its steady support of this vital organization and its mission of saving lives. CIC aims to continue cultivating its relationships with other companies, agencies, institutions, and organizations allied to create a brighter future for all.

Running with Purpose: The RunningShield

The Concepcion family champions health and fitness as central aspects of CIC's culture. In 2023, they initiated the RunningShield 16k Global Run, a virtual event raising awareness for pancreatic cancer. Held from March 17-31, 2023, it saw participation from 450 iCONs. Event proceeds were donated to the Philippine College of Surgeons Cancer Committee Foundation.

More than promoting fitness and a healthy lifestyle among CIC employees, the virtual run honored the memory of Raul Patrick Concepcion, known by many as the RunningShield. A passionate runner, he found solace in the sport and used it as a shield against the stresses of life. Patrick also co-founded the Condura Skyway Marathon, a premier Philippine event raising funds for various causes.

Leading the RunningShield Global Run, his brother Ton Concepcion (co-founder of the Skyway Marathon) emphasized the event as just the beginning. The family aims to continue Patrick's legacy by inspiring people to embrace a healthy lifestyle through running.

Caring for Future Generations: Aklat Para sa Kabataan and Masayang Salu-Salo Sa Pasko

The CIC recognizes the importance of nurturing the development of communities, particularly children, who will become the country's future leaders.

Education plays a vital role in shaping the Philippines' future generation. Through programs like "Pagbasa, Pag-asa, Pag-unlad: Aklat Para sa Kabataan," the Company aims to help address literacy gaps. In October 2023, the book drive collected and donated over 900 books to Brgy. Alabang Riles in Muntinlupa City, a community facing a significant out-of-school rate of 35%. By providing essential educational materials, CIC empowers these young minds to reach their full potential.

Beyond academics, CIC hopes to bring joy with initiatives like "Be the Light: Masayang Salu-Salo sa Pasko." Held in December, volunteer iCONs celebrated the season of giving by engaging in fun activities, sharing meals, and distributing toys, clothes, food, and school supplies to the children in Brgy. Alabang Riles and Brgy. Diezmo, Cabuyao City. Be the Light reached 250 children and created happy memories for volunteers and beneficiaries alike.

The Company seeks to continue giving back to the youth beyond seasonal events, building stronger relationships to create meaningful impact.


happy spaces for every
Filipino home and business.
SUSTAINABILITY
(1998 - 2013)
Midea

Our Leaders

Board of Directors

RAUL JOSEPH A. CONCEPCION

Chairman & Chief Executive Officer

Raul Joseph A. Concepcion has been the Chairman & Chief Executive Officer of CIC since 2008 and has led to professionalizing and transforming the Company into what it is today. He contributed to successfully launching CIC's Initial Public Offering (IPO) in November 2013. Under his leadership, the Company formed landmark joint ventures with Midea and Otis. This expanded the Company's products and services to offer solutions to the commercial sector.

In 1998, he led the establishment of Concepcion-Carrier Air Conditioning Company (CCAC) when Concepcion Industries, Inc. (CII) entered a joint venture with United Technologies Corporation. This strategic alliance brought together two industry leaders, setting the foundation for sustainable growth.

CONCURRENT POSITIONS

- President of CCAC and CII
- Chairman Emeritus of the Philippine Appliance Industry Association (PAIA)

EDUCATIONAL BACKGROUND

- Bachelor of Business Administration — Simon Fraser University - Vancouver Campus

RENNA C. HECHANOVA-ANGELES

Vice Chairman and Treasurer

Renna Hechanova-Angeles has been the Vice Chairman and Treasurer of CIC since July 18, 2013, and currently holds many responsibilities within the Company's subsidiaries.

CONCURRENT POSITIONS

- Vice Chairman and Treasurer of Concepcion Durables Inc. (CDI)
- Director of CCAC and ALI-CII Development Corporation (joint venture of Ayala Land, Inc. and CII)
- Corporate Secretary of Contel Communications, Republic Commodities Corporation (RCC), and Hyland Realty and Development Corporation
- Executive Vice President and Corporate Secretary of CII

EDUCATIONAL BACKGROUND

- Bachelor of Science in Commerce, Major in Management — Assumption College

RAUL ANTHONY A. CONCEPCION

Vice Chairman

Raul Anthony Concepcion was elected to the Board on July 5, 2013, and became Vice Chairman on July 20, 2022. He was a finalist in the Ernst and Young Entrepreneur of the Year Awards in 2011, receiving the Business Excellence Award for showing an exceptional, consistent, and systematic application of total quality management principles. He is also the Founder and Chief Event Officer of Condura Run Skyway Marathon, one of the premier running events in the Philippines.

CONCURRENT POSITIONS

- President and Chief Operations Officer of Contel Communications
- Vice President of ALI-CII Development Corporation (joint venture of Ayala Land, Inc. and CII)
- Chairman of the Board CDI

EDUCATIONAL BACKGROUND

- Executive Master in Business Administration — Asian Institute of Management
- Bachelor of Arts in Political Science — University of the Philippines - Diliman

MA. VICTORIA HERMINIA C. YOUNG

Director

Ma. Victoria Hermina Young was elected to the Board on July 5, 2013. She has been a Director, the Vice President, and the General Manager of the White King Division of RFM Corporation since 2006. Simultaneously, she holds leadership positions in several charitable organizations. She was also a Director of the Assumption Alumnae Association from 2000 to 2003.

CONCURRENT POSITIONS

- Director, Vice President, and General Manager of the White King Division of RFM Corporation
- Director and General Manager of Interbake Commissary Corporation
- Trustee of Soul Mission Organization and Ronald McDonald House of Charities
- President of RFM Foundation

EDUCATIONAL BACKGROUND

- Bachelor of Science in Management and Marketing — Assumption College

JOSE MA. A. CONCEPCION III
Director

Beyond his role in the Company as a Director, Jose Ma. Concepcion III is the President and CEO of RFM Corporation and Chairman of RFM Unilever Ice Cream, Inc. From 2005 to 2010, he was appointed the Presidential Consultant for Entrepreneurship. He is active in various socio-civic associations and founded Go Negosyo, a non-profit organization that supports Filipino micro, small, and medium enterprises (MSMEs). Food Manufacturers, Inc. (PCFM), Makati Business Club, and the Management Association of the Philippines (MAP).

CONCURRENT POSITIONS
- President and CEO of RFM Corporation
- Chairman of RFM Unilever Ice Cream, Inc.
- Co-Chairman of the Agri-business and Food Committee of the Philippine Chamber of Commerce and Industry (PCCI)
- Member of the PCCI, Philippine Association of Feed Millers (PAFMI), Philippine Association of Flour Millers (PAFMIL), Philippine Chamber of Vice Chairman and Trustee of RFM Foundation, Inc.
- Director of the Laura Vicuna Foundation for Street Children
- Vice Chairman of the Micro Small and Medium Enterprise Development Council (MSMED)
- Founder of Go Negosyo

EDUCATIONAL BACKGROUND
- Bachelor of Science in Business Management — De La Salle University

RAISSA C. HECHANOVA-POSADAS
Director

Raissa Hechanova-Posadas has been a Director since July 5, 2013. She has 25 years of experience in corporate and investment banking. Before joining the Company, she held several positions at Citigroup as the Managing Director, Head of the Corporate Finance Unit, and a designated Senior Credit Officer. She was a member of the Citi Philippines Senior Management Team for a decade and a Board of Directors member of several Citigroup legal vehicles in the country.

CONCURRENT POSITIONS
- Director of Hyland Realty and Development Corporation
- Advisor to the Board of Directors of BDO Private Bank
- Diversity, Equity, and Inclusion (DEI) Committee Head and Deputy Membership Head of District 3820 of the Rotary International
- President of Barangay San Lorenzo (BSL) Persons with Disabilities & Co. Inc.

EDUCATIONAL BACKGROUND
- Master of Business Administration — IMD International Institute for Management Development (formerly IMEDE)
- Bachelor of Arts in Applied Economics — De La Salle University

CESAR A. BUENAVENTURA
Independent Director

Cesar Buenaventura was appointed as the first Filipino CEO and Chairman of the Pilipinas Shell Petroleum Corporation (PSPC) in 1975 and currently serves as a Director.

He was a member of the Monetary Board of the Central Bank of the Philippines, the Board of Regents of the University of the Philippines (1987–1994), and the Board of Trustees of the Asian Institute of Management (1994–2007). He was also the President of the Benigno Aquino S. Foundation (1985–2000).

CONCURRENT POSITIONS
- Chairman of Buenaventura Echauz and Partners, Inc. and Mitsubishi Hitachi Powers Systems, Inc.
- Vice Chairman of DMCI Holdings, Inc.
- Director of DM Consunji, Inc., International Container Terminal Services, Inc. (ICTSI), iPeople, Inc., PetroEnergy Resources Corp., and PSPC

EDUCATIONAL BACKGROUND
- Master of Science in Civil Engineering, Major in Structures — Lehigh University
- Bachelor of Science in Civil Engineering — University of the Philippines

JUSTO A. ORTIZ
Independent Director

Justo Ortiz has been an Independent Director since November 6, 2020. For nearly 30 years, he has held leadership positions at UnionBank, one of the largest banks in the country. He is currently the Vice Chairman of UnionBank and was formerly the Chairman (2018–2020) and Chief Executive Officer (1993–2017). Prior to this, he was a Managing Partner for Global Finance and a Country Executive for Investment Banking at Citibank, N.A.

CONCURRENT POSITIONS
- Chairman of Philippine Payments Management, Inc., Fintech Philippines Association, Distributed Ledger Technology Association of the Philippines, and Union Digital Bank
- Vice Chairman of the UnionBank of the Philippines
- Director and Trustee of the Insular Life Assurance Co., Ltd., Philippine Trade Foundation, Inc., Pilmico Foods Corporation, and Aboitiz Equity Ventures
- Member of the Board of Governors of the Management Association of the Philippines, Makati Business Club, World Presidents' Organization, and the Claustro de Profesores of the University of Santo Tomas

EDUCATIONAL BACKGROUND
- Doctor of Humanities (Honoris Causa) — University of Santo Tomas
- Bachelor of Arts in Economics (Honors Program), Magna Cum Laude — Ateneo de Manila University

LUIS Y. BENITEZ
Independent Director

Luis Benitez has been an Independent Director of CIC since October 26, 2022, and is also currently an Independent Director of Insular Life Assurance Co. Ltd., Insular Healthcare, Inc., and CTBC Bank Philippines. He was a Vice Chairman, Senior Partner, and Head of the Audit Division for SGV & Co., where he served from 1978 to 2007.

Mr. Benitez is also a Certified Public Accountant.

CONCURRENT POSITIONS
- Independent Director of Insular Life Assurance Co. Ltd., Insular Healthcare, Inc., and CTBC Bank Philippines

EDUCATIONAL BACKGROUND
- Master of Business Administration — New York University Stern School of Business
- Pacific Rim Bankers Program — University of Washington
- Bachelor of Science in Business Administration, Major in Accounting — University of the Philippines

Executive Committee

ISAIAS ARIEL P. FERMIN
Chief Executive Officer

On September 21, 2023, the Board of Directors appointed Isaias Ariel P. Fermin as the new Chief Executive Officer, effective January 1, 2024. He has held senior leadership positions at prominent multinational companies like Procter & Gamble, Coca-Cola, Unilever, and Nike, as well as local publicly listed companies like Max's Group, Inc. (MGI), Jollibee Foods, and PLDT. His extensive background covers brand management, product development, retail and sales operations, supply chain management, and general management.

He obtained his Bachelor of Science in Chemical Engineering from the University of the Philippines - Diliman.

RAFAEL C. HECHANOVA, JR.
Chief Corporate Affairs Officer

Rafael Hechanova, Jr. has been serving the Company since 1997 through various leadership positions, overseeing both the Consumer and Business Solutions Groups, including new business units for corporate marketing and business development. Additionally, he is a Director of Concepcion-Carrier Realty Holdings, Inc. and Hyland.

Prior to his tenure at CCAC, he served as a Director of the Pacific Basin Development Company in Vancouver, Canada. In 1994, he became responsible for managing the sales and aftermarket service of chillers and air handling units (AHUs) to institutional and commercial customers. In 1998, he joined the CCAC leadership as an operating partner, managing retail sales and marketing for residential light commercial air conditioning products to ensure that both product and brand development initiatives address the demands of Filipino consumers. He was appointed as Director of CAC from 1998 to 2013 and of CCAC from 2006 to 2009.

He studied Mechanical Engineering at De La Salle University and graduated from the British Columbia Institute of Technology.

RAJAN KOMARASU
Chief Finance and Operating Officer

Rajan Komarasu was appointed as the Chief Finance & Operating Officer of the Company on November 1, 2021. He is currently the President of Alstra Incorporated and Concepcion-OTIS Philippines, Inc. (COPI), and was the Chief Financial Officer of CCAC from 2007 to 2011.

Before joining the Company, he held several positions at United Technologies Corporation (currently Raytheon Technologies) primarily in the heating, ventilation, air conditioning, and refrigeration (HVACR) segment. In particular, he was the Director for Financial Planning and Analysis (Asia) at the Climate Control and Security Department in Shanghai. He was also a Chartered Accountant in Singapore.

He obtained his Bachelor of Business, majoring in Accounting from Curtin University.

MA. VICTORIA A. BETITA
Chief Strategy and Transformation Officer

Ma. Victoria Betita was appointed as the Chief Strategy and Transformation Officer of the Company on November 1, 2021. She has extensive experience in management and finance and has been appointed to various leadership positions. She was the former Chief Finance Officer (CFO) of CIC and CCAC (2011–2021), CFO of CCAC (2001–2005), and Treasurer and CFO of several Carrier subsidiaries. She was also the Finance Director and Country Controller for Asea Brown Boveri Group (1996–2001) and a Director at Deutsche Knowledge Services (2005–2011).

She obtained a Master's in Business Management from the Asian Institute of Management and a Bachelor of Science in Management Engineering from the Ateneo de Manila University.

CCAC and CDI among the recognized Top 30 Taxpayers of Cabuyao

Corporate Governance

Building a solid reputation is essential to CIC's long-term success. This commitment to good corporate governance is reflected in its adherence to best practices and relevant regulations. As a publicly traded company, CIC leverages a formal Corporate Governance Manual, updated in February 2020, to ensure alignment with current standards. This Manual outlines the roles and responsibilities of the Board and key management, promoting a culture of ethical conduct throughout the organization and its subsidiaries. CIC upholds the principle of checks and balances and ensures a clear separation of powers within its governance structure, including independent audit, compliance, and risk management functions.

CIC Earns First ACGS Golden Arrow Award

The Institute of Corporate Directors (ICD) recognized CIC's commitment to good governance by awarding them a Golden Arrow Award at the ASEAN Corporate Governance Scorecard (ACGS) Awards Night on September 28, 2023, held at Okada Manila Hotel.

This marks CIC's first time receiving this prestigious distinction and solidifies its position as one of the Philippines' top-performing publicly listed companies (PLCs) in governance practices.

Duties and Responsibilities of the Board

The Board steers CIC's long-term value for all shareholders. It establishes a strong foundation for the Company by setting clear corporate values and promoting ethical business practices. Additionally, the Board actively shapes the Company's future by approving, overseeing, and reviewing key initiatives. In particular, the Board exercises oversight and approval of business affairs, high ethical standards in doing business, annual Board and executive management performance evaluation, directors' peer evaluation, management succession planning, related party transactions, and enterprise risk management.

Board Attendance and Remuneration

The Company's Corporate Governance Manual mandates the Board to convene in person or virtually at least six times annually, with additional meetings as needed. All meetings require the presence of independent directors. To facilitate informed discussion, the agenda and information package are distributed to directors in writing or electronically at least five days in advance, whenever possible. This allows directors to diligently prepare and contribute meaningfully to the evaluation of the presented items.

Directors receive a reasonable and approved per diem for participating in Board and committee meetings.

2023 Board Meetings and Attendance

	Board Meetings Attended						Annual and Special Stockholders Meeting
Raul Joseph A. Concepcion Chairman and CEO	✓	✓	✓	✓	✓	✓	Present
Renna C. Hechanova-Angeles Vice Chairman & Treasurer	✓	✓	✓	✓	✓	✓	Present
Raul Anthony A. Concepcion Vice Chairman	✓	✓	✓	✓	✓		Present
Ma. Victoria Herminia C. Young Director	✓	✓	✓	✓	✓		Present
Jose Ma. A. Concepcion III Director	✓	✓	✓				Present
Raissa C. Hechanova-Posadas Director	✓	✓	✓	✓	✓	✓	Present
Cesar A. Buenaventura Director	✓	✓	✓	✓	✓		Present
Justo A. Ortiz Independent Director	✓	✓	✓	✓	✓		Present
Luis Y. Benitez, Jr. Independent Director	✓	✓	✓	✓	✓	✓	Present

CIC sets a remuneration sufficient to retain the experienced and highly qualified directors and officers necessary to successfully manage the Company.

The Company's remuneration is sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully. A proportion of executive directors' remuneration may be structured to link rewards to corporate and individual performance.

In 2023, the aggregate compensation of the Company's most highly compensated executive officers amounted to Php 118.9 million. Additionally, all officers and directors had a cumulative compensation of Php 209.8 million.

The Company has no other standard compensation plans for directors apart from per diem compensation, whether directly or indirectly. There are also no special employment contracts with its executive officers.

Board Committees and Members

Executive Committee

This committee exercises the powers of the Board in managing the business and affairs of the Company, except regarding approvals of any action that also requires stockholders' endorsement.

Composition	Committee Meetings Attended
Raul Joseph A. Concepcion Chairman	8/8
Renna C. Hechanova-Angeles Member	8/8
Raul Anthony A. Concepcion Member	8/8

Corporate Governance, Nominations, and Remuneration Committee

The committee assists the Board in performing its corporate governance responsibilities, ensuring compliance with corporate governance principles and practices.

For its nominations functions, it (1) formulates screening policies to help the committee review the qualifications of the nominees for directors and independent directors and (2) conducts nominations for independent directors before the stockholders' meeting.

Composition	Committee Meetings Attended
Cesar A. Buenaventura Chairman	3/3
Raul Joseph Concepcion Member	3/3
Renna C. Hechanova-Angeles Member	3/3
Justo A. Ortiz Member	1/3
Luis Y. Benitez, Jr. Member	3/3

Audit and Risk Oversight Committee

This committee oversees the senior management in establishing and maintaining an adequate and efficient internal control framework. It also ensures that effective financial reporting, internal and external audits, monitoring, and compliance systems and processes are established and maintained.

Composition	Committee Meetings Attended
Luis Y. Benitez, Jr. Chairman	4/4
Cesar A. Buenaventura Member	3/4
Raissa C. Hechanova-Posadas Member	4/4
Ma. Victoria Herminia C. Young Member	3/4
Justo A. Ortiz Member	3/4

Strategy and Investments Committee

The committee assists the Board in executing the Company's investment policies and strategies, focusing on reviewing, assessing, and recommending to the Board the execution of significant investments in new business opportunities such as mergers, acquisitions, joint ventures, or wholly-owned subsidiaries. It also guides the Company in the identification, consideration, review analysis and selection, and negotiation regarding investments and ventures.

Composition	Committee Meetings Attended
Justo A. Ortiz Chairman	4/4
Ma. Victoria Herminia C. Young Member	4/4
Raissa C. Hechanova-Posadas Member	4/4

Company Policies

Benefits

CIC offers competitive benefits to drive employee well-being, productivity, and engagement. This policy outlines those benefits and their implementation. It aims to make CIC an attractive employer and maintain a high-performing workforce. HR Operations regularly reviews and updates this policy.

Compensation

This policy ensures a competitive and balanced structure, attracting, retaining, and motivating talent through a mix of fixed and variable pay. HR Operations plans and implements this strategy.

Environment, Health, and Safety (EHS)

This policy outlines CIC's commitment to environmental and employee well-being. It ensures compliance with Philippine regulations and the Company's standards. It emphasizes leadership in using environmentally safe refrigerants, setting and improving EHS goals, and minimizing pollution. It also focuses on resource optimization and integrates EHS considerations into product development, encouraging contractors and suppliers to follow suit.

Labor-Management Cooperation (LMC)

This policy fosters collaboration between unions and management. It complements the Labor Code, promoting worker participation in decision-making and aiming for a harmonious work environment, improved employee well-being, and economic growth. The Chief HR Officer oversees implementation, while a Labor-Management Council addresses issues beyond the bargaining agreement, ensuring fair representation and transparent communication.

Business Gifts, Corrupt Payments, Sales Intermediaries, and Sponsoring Third Party Travel

CIC's anti-corruption policies guide employees on ethical business conduct with counterparties, aligning with the Code of Ethics.

Conflict of Interest

CIC's directors, officers, employees, and representatives must avoid conflicts of interest with suppliers, customers, and other related parties. All potential, actual, or perceived conflicts must be disclosed by the involved individual and anyone aware of them.

Individual Development Plan (IDP)

This policy empowers employees to achieve career goals and improve job performance, ultimately aligning with business objectives. It details a process for creating action plans with managers, focusing on adaptability, commitment, and retention. The HR department oversees the program, providing training to managers and tracking its effectiveness. Employees actively participate by working with their managers to set and achieve development goals.

Grievance Mechanism

The Company allows any person to submit questions, ideas, suggestions, criticisms, complaints, or allegations of wrongdoing anonymously, using the ProActive platform.

Whistleblowing

This policy empowers stakeholders to report suspected misconduct, fraud, or safety concerns anonymously and without fear of retaliation. It guarantees confidentiality and anonymous reporting through identified channels for whistleblowers who report in good faith.

Enterprise Risk Management

CIC's Enterprise Risk Management (ERM) Framework offers a systematic approach to risk management, ensuring consistent assessment, accurate information for informed decision-making, cost-effective mitigation strategies, and acceptable risk exposure across the company.

The Board is responsible for monitoring risk management and internal controls, while the CIC Executive Committee and Corporate Governance and Audit Committee assist with implementing, overseeing, and fulfilling CIC's goals.

The ERM Framework comprises five interrelated ERM components:

1 **CONTROL ENVIRONMENT**
Set the foundation by establishing ethical values and risk appetite and defining the overall risk landscape.

2 **RISK ASSESSMENT**
Identifies threats and opportunities that could impact CIC's objectives.

3 **CONTROL ACTIVITIES**
Implements policies and procedures to mitigate risks. This involves various actions like approvals, verifications, and reviews. The effectiveness of these controls is evaluated through internal and external audits.

4 **INFORMATION AND COMMUNICATION**
Ensures clear and timely communication across the organization. This keeps everyone informed about their internal control responsibilities and risk management processes.

5 **MONITORING**
Continuously assesses the effectiveness of all the ERM components. This includes monitoring the implemented controls, reporting deficiencies, and reviewing the overall framework's effectiveness.

Financial Statements

CONCEPCION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Concepcion Industrial Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

Raul Joseph Concepcion
Chairman of the Board and Chief Executive Officer

Rajan Komarasu
Chief Finance and Operating Officer

Signed this 26th day of March 2024

CONCEPCION INDUSTRIAL CORPORATION
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www.cic.ph I www.concepcion.ph

Signed in the presence of:

MA. ANNUNCIATA A. TRANGCO
2020 186

CHARINA ROSE VENTURA
2020 288

ACKNOWLEDGEMENT

Republic of the Philippines)
MUNTINLUPA CITY) SS

Before me, a notary public for and in the MUNTINLUPA CITY this MAR 26 2024 personally appeared.

Name	Evidence of Competent Identity
RAUL JOSEPH A. CONCEPCION	P6306423A issued on 06 March 2018
RAJAN KOMARASU	NCR-2022-03-004041 issued on Jan. 24, 2023

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

IN WITNESS WHEREOF, I have unto set my hand and affixed my notarial seal this MAR 26 2024.

Doc No. 525
Page No. 103
Book No. 310
Series of 2024

PATRICIO L. BONCAYAO, JR.
Notary Public
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pwc

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 (together, the "Group") as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 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, 2023 and 2022;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2023;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2023;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the consolidated financial statements, including material accounting policy information.

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 Philippine Accounting Standards (PAS) 36, "Impairment of Assets", 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 PHP806,682 million as at December 31, 2023 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 evaluated the appropriateness of the work performed by management's third-party valuation expert to assist us in evaluating the assumptions and methodologies used in management's valuation. We involved our internal expert in validating the methodology and assumptions adopted by management. The procedures performed to assess the reasonableness of management assumptions include, among others, the following: • Model integrity. Checked logic, links, formulas, mathematical accuracy, and completeness of the key model inputs. • Discount rate and terminal growth rate estimates. Compared the discount rate and terminal growth rate used against our internal benchmarks and independent recalculation of the Group's weighted average cost of capital. • Reasonableness of cash flow assumptions. Compared the growth and margin assumptions with historical performance, outstanding projects, and industry outlook for the businesses. We evaluated the competence, capabilities and objectivity of the third-party valuation expert engaged by the Group, and our internal expert.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Concepcion Industrial Corporation
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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, 2023 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.

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 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.

- 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 Group 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, actions taken to eliminate threats or safeguards applied.

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 de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 12, 2024 at Makati City
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 26, 2024

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, 2023, on which we have rendered the attached report dated March 26, 2024. 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.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
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Makati City
March 26, 2024

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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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 26, 2024. 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
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Makati City
March 26, 2024

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Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in thousand Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2	2,372,614	1,688,163
Trade and other receivables, net	3	3,745,305	3,455,147
Contract assets	15	849,419	781,668
Inventories, net	4	2,489,373	3,161,979
Prepayments and other current assets		241,591	115,697
Total current assets		9,698,302	9,202,654
Non-current assets			
Property and equipment, net	5	435,257	474,515
Investment property	6	40,255	40,255
Investment in associates	7	98,891	90,009
Intangible assets, net	8	118,980	135,843
Goodwill	8	806,682	806,682
Right-of-use assets, net	19	341,101	360,096
Deferred income tax assets, net	9	620,497	579,879
Other non-current assets		82,935	80,783
Total non-current assets		2,544,598	2,568,062
Total assets		12,242,900	11,770,716
Liabilities and Equity			
Current liabilities			
Trade payables and other liabilities	10	4,107,377	3,896,259
Short-term borrowings	13	4,600	114,000
Lease liabilities	19	191,304	136,873
Provision for warranty	11	80,775	68,077
Other provisions	12	104,175	38,691
Total current liabilities		4,488,231	4,253,900
Non-current liabilities			
Retirement benefit obligation	20	641,245	570,502
Lease liabilities	19	181,282	241,914
Provision for warranty	11	2,874	5,941
Total non-current liabilities		825,401	818,357
Total liabilities		5,313,632	5,072,257
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)	(241,464)
Retained earnings		3,949,873	3,765,573
Other comprehensive loss	20	(69,814)	(51,816)
		5,039,102	4,872,800
Non-controlling interest		1,890,166	1,825,659
Total equity		6,929,268	6,698,459
Total liabilities and equity		12,242,900	11,770,716

The notes on pages 1 to 59 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, 2023
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2023	2022	2021
Net sale of goods	15	13,702,837	12,235,287	11,924,459
Sale of services	15	958,580	939,786	314,780
Net sales		14,661,417	13,175,073	12,239,239
Cost of sales and services	16	(10,006,235)	(9,119,396)	(8,173,810)
Gross profit		4,655,182	4,055,677	4,065,429
Operating expenses	17	(3,777,744)	(3,359,970)	(3,411,506)
Other operating income (loss), net	18	52,111	(65,934)	(15,074)
Operating income		929,549	629,773	638,849
Interest expense	13, 19	(25,659)	(32,530)	(23,832)
Income before share in net income (loss) of associates and income tax		903,890	597,243	615,017
Share in net income (loss) of associates	7	9,415	(31,996)	(22,513)
Income before income tax		913,305	565,247	592,504
Income tax expense	9	(246,013)	(207,183)	(214,409)
Net income for the year		667,292	358,064	378,095
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	(21,427)	6,938	42,112
Total comprehensive income for the year		645,865	365,002	420,207
Net income attributable to:				
Owners of the Parent Company		383,256	153,836	164,750
Non-controlling interest		284,036	204,228	213,345
		667,292	358,064	378,095
Total comprehensive income attributable to:				
Owners of the Parent Company		365,258	158,126	195,105
Non-controlling interest		280,607	206,876	225,102
		645,865	365,002	420,207
Earnings per share - basic and diluted	22	0.96	0.38	0.41

The notes on pages 1 to 59 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, 2023
(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	20	7	
Balances as at January 1, 2021	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	-	-	-	(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
Comprehensive income							
Net income for the year	-	-	-	383,256	-	284,036	667,292
Remeasurement loss on retirement benefits, net of tax	-	-	-	-	(17,998)	(3,429)	(21,427)
Total comprehensive income for the year	-	-	-	383,256	(17,998)	280,607	645,865
Transaction with owners							
Cash dividends declared	-	-	-	(198,956)	-	(216,100)	(415,056)
Balances as at December 31, 2023	407,264	993,243	(241,464)	3,949,873	(69,814)	1,890,166	6,929,268

The notes on pages 1 to 59 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, 2023
(All amounts in thousand Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Income before income tax		913,305	565,247	592,504
Adjustments for:				
Provisions for:				
Warranty cost	11	135,813	147,668	132,487
Inventory obsolescence	4	21,257	16,329	31,984
Commission	12	76,114	26,728	14,914
Impairment of receivables	3	10,173	3,026	11,858
Contingencies	12	34,737	27,054	11,120
Amortization of right-of-use assets	19	225,925	190,270	249,963
Depreciation and amortization of property and equipment	5	142,895	151,365	151,340
Retirement benefit expense	20	107,318	110,872	228,389
Interest expense	13, 19	25,659	32,530	23,832
Interest income on bank deposits, short-term placements	18	(24,844)	(8,493)	(5,483)
Amortization of intangible assets	8	16,863	28,397	32,052
Unrealized foreign exchange losses (gains)	25	11,291	(13,532)	12,014
Share in net loss (income) of associates	7	(9,415)	31,996	22,513
Loss on disposal of property and equipment	18	519	62	160
Operating income before working capital changes		1,687,610	1,309,519	1,509,647
Changes in:				
Trade (net of provision)* and other receivables		(359,258)	(221,332)	321,128
Inventories		651,349	(208,707)	(538,563)
Prepayments and other current assets		(283,756)	(55,051)	44,809
Other non-current assets		(2,152)	(16,376)	(5,968)
Trade payables and other liabilities		202,389	(86,084)	(67,412)
Cash generated from operations		1,896,182	721,969	1,263,641
Payments of provision for warranty cost	11	(126,182)	(137,217)	(148,499)
Income tax paid		(122,138)	(182,621)	(465,298)
Retirement contributions/ benefits directly paid by the Group/ settlements paid from book reserved	20	(72,515)	(95,692)	(92,305)
Payments of other provisions	12	(61,716)	(30,851)	(59,997)
Interest received on bank deposits		3,027	2,432	2,698
Net cash provided by operating activities		1,516,658	278,020	500,240
Cash flows from investing activities				
Interest received from short-term placements and loans to a related party		21,300	8,939	3,689
Proceeds from disposal of property and equipment		9,564	415	-
Additions to property and equipment	5	(99,179)	(58,381)	(81,119)
Additions to intangibles	8	-	-	(6,333)
Acquisition of subsidiary, net of cash	7	-	11,254	-
Net cash used in investing activities		(68,315)	(37,773)	(83,763)
Cash flows from financing activities				
Cash distributions of profits	21	(415,056)	(643,155)	(668,519)
Principal repayment of lease liabilities	19	(213,131)	(190,280)	(249,575)
Payments of short-term borrowings	13	(109,400)	(286,000)	-
Interest paid on lease liabilities	19	(23,805)	(18,087)	(12,329)
Interest paid on short-term borrowings	13	(1,890)	(14,393)	(11,503)
Proceeds from short-term borrowings	13	-	150,000	60,000
Acquisitions of treasury shares	21	-	(69,356)	(2,040)
Net cash used in financing activities		(763,282)	(1,071,271)	(883,966)
Net increase (decrease) in cash and cash equivalents		685,061	(831,024)	(467,489)
Cash and cash equivalents as at January 1		1,688,163	2,518,403	2,986,668
Effects of foreign exchange rate changes on cash and cash equivalents		(610)	784	(776)
Cash and cash equivalents as at December 31	2	2,372,614	1,688,163	2,518,403

**Provision for volume rebates, trade discounts and other incentives is presented as net movement in Trade and other receivables in the Statement of Cash Flow, as allowed by PRFS.*

The notes on pages 1 to 59 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2023 and 2022 and for each of the
three years in the period ended December 31, 2023
(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.

CIC is one of the Philippines' most established and leading suppliers of air conditioners products and solutions, refrigerators, and consumer appliances, such as laundry, kitchen, and small domestic appliances. The Company has expanded its business beyond being a trusted expert in air conditioning and refrigeration, towards becoming a complete consumer and commercial solutions company with a range of products and aftermarket services across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers from individuals and families living in residences, to thousands of people spread across various verticals like high rise residential towers, office buildings, shopping malls, factories, hotels, hospitals, transportation, and entertainment facilities. These solutions are also designed to meet a variety of diverse needs, such as reliability, durability, comfort, energy efficiency, environmental impact, ease of use, and aesthetic appeal at varying price points with customized features to match user requirements. Moreover, the Company continues to develop these technologies to meet the ever-changing needs of its customers. In addition, the Company offers an array of aftermarket services such as periodic maintenance, parts supply, repairs, and other services intended to support its products through their entire life cycle. Moving beyond products, CIC invests heavily in strengthening its relationship with its customers through the development of various technology platforms and applications designed to ensure a better fit between the product and service offerings to the customer's lifestyle.

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, 2023 and 2022, 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, the shares of which were issued to CIC subsequently in November 2021 and April 2023, respectively. On November 30, 2023, CIC paid P26.9 million to fully pay the P62.5 million subscription.

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. Its purpose is to be a holding company for the regional expansion of Teko across Southeast Asia. As at December 31, 2023, Teko SG has not started commercial operations.

On September 29, 2023, CIC entered into a Distribution Agreement with JS Global Trading HK Limited, a Hongkong limited liability company. JS Global with its principal office at Sheung Wan, Hongkong, has granted the exclusive right to sell and distribute the products of JS Global brand “Shark” and “Ninja” in the Philippines through CIC’s wholly owned subsidiary and appointed distribution arm, CTC.

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, 2023 and 2022, 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.

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1.3 Approval of financial statements

On March 25, 2024, the Audit and Risk Oversight Committee endorsed to CIC’s BOD to approve and authorize the issuance of the consolidated and separate financial statements of CIC as at and for the year ended December 31, 2023.

The BOD approved and authorized the issuance of the consolidated and separate financial statements of CIC as at and for the year ended December 31, 2023 on March 26, 2024.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash on hand	415	1,909
Cash in banks	1,060,754	912,691
Short-term placements	1,311,445	773,563
	2,372,614	1,688,163

Cash in banks and short-term placements amounting to P2,226,946 and P145,253 (2022 - P1,281,305 and P404,949) 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 P24,844 for the year ended December 31, 2023 (2022 - P8,493; 2021 - P5,483) (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 1.00% to 5.30% (2022 - 0.09% to 2.75%).

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	2023	2022
Trade receivables			
Third parties		4,140,219	3,968,815
Related parties	14	17,326	5,629
Provision for volume rebates, trade discounts and other incentives		(567,956)	(637,424)
Provision for impairment of receivables		(183,032)	(177,158)
Net trade receivables		3,406,557	3,159,862
Non-trade receivables, net			
Advances to/Claims from suppliers		153,496	127,204
Advances to employees		27,328	40,624
Related parties	14	86,249	46,138
Rental deposits		1,160	5,555
Others, net		70,515	75,764
Net non-trade receivables		338,748	295,285
		3,745,305	3,455,147

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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, 2023 and 2022 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
2023					
Trade receivables					
Third parties	2,997,063	904,521	101,143	137,492	4,140,219
Related parties	5,172	12,154	-	-	17,326
	3,002,235	916,675	101,143	137,492	4,157,545
Contract assets	849,419	-	-	-	849,419
Total	3,851,654	916,675	101,143	137,492	5,006,964
Loss allowance	-	-	52,594	130,438	183,032
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

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.

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	2023	2022
Beginning		177,158	174,354
Provisions, net of reversals	17	5,874	2,788
Write-offs		-	16
Ending		183,032	177,158

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	2023	2022
Beginning		637,424	651,266
Provisions	15	1,170,502	682,500
Charges		(1,239,970)	(696,342)
Ending		567,956	637,424

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 P6,543 (2022 - P2,244).

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

	Note	2023	2022
Beginning		2,244	2,006
Provisions, net	17	4,299	238
Ending		6,543	2,244

Note 4 - Inventories, net

Inventories, net as at December 31 consist of:

	Note	2023	2022
At cost			
Raw materials		1,155,853	1,502,860
Finished goods	16	1,223,368	1,510,893
Work in process	16	574	572
Inventories-in-transit		143,524	167,780
Spare-parts and supplies used in business		91,608	84,171
		2,614,927	3,266,276
Provision for inventory obsolescence		(125,554)	(104,297)
		2,489,373	3,161,979

For the year ended December 31, 2023, the cost of inventories recognized as expense and included in cost of sales and services amounted to P9,107,409 (2022 - P8,335,616; 2021 - P7,613,372) (Note 16).

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

	Notes	2023	2022
Beginning		104,297	87,968
Provisions, net	16, 17	21,257	16,329
Ending		125,554	104,297

There are no write-offs in 2023 and 2022.

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, 2023	1,400,994	28,395	287,327	269,628	266,319	35,676	22,694	2,311,033
Additions	22,215	4,540	57,599	2,417	17,271	-	9,678	113,720
Retirement	(90,640)	(2,518)	(2,550)	(16,840)	-	-	(5,149)	(117,697)
Transfers/Reclassifications	19,913	-	(1,568)	-	121	-	(18,466)	-
At December 31, 2023	1,352,482	30,417	340,808	255,205	283,711	35,676	8,757	2,307,056
Accumulated depreciation								
At January 1, 2023	1,143,994	25,258	236,968	240,411	165,702	24,185	-	1,836,518
Depreciation and amortization	67,750	3,110	30,942	10,159	28,158	2,776	-	142,895
Retirement	(90,277)	(2,191)	(3,595)	(11,551)	-	-	-	(107,614)
At December 31, 2023	1,121,467	26,177	264,315	239,019	193,860	26,961	-	1,871,799
Net book values as at December 31, 2023	231,015	4,240	76,493	16,186	89,851	8,715	8,757	435,257
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

The cost of fully depreciated property and equipment still being used by the Group as at December 31, 2023 amounted to P1,303,980 (2022 - P706,315).

In 2023, retirement and disposal of property and equipment with carrying amount of P10,083 (2022 - P477) resulted in a loss of P519 (2022 - P62).

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

	Notes	2023	2022	2021
Cost of sales and services	16	83,211	88,225	85,853
Operating expenses	17	59,684	63,140	65,487
		142,895	151,365	151,340

Note 6 - Investment property

As at December 31, 2023 and 2022, 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, 2023 and 2022 amounted to P40,255. There were no further costs incurred that were considered as additions to investment property in 2023 and 2022.

There was no income earned related to the property for the years ended December 31, 2023 and 2022. Further, P31 real property tax for the investment property was incurred for the years ended December 31, 2023 and 2022.

Note 7 - Investments in shares of stock

7.1 Associates

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

	Notes	2023	2022
At cost, beginning		260,000	274,700
Change in ownership in Tenex from associate to subsidiary	1	-	(14,700)
At cost, ending		260,000	260,000
Cumulative share in total comprehensive loss, beginning		(169,991)	(145,948)
Share in net income (loss) for the year		9,415	(31,996)
Share in other comprehensive income (loss) for the year		(533)	1,126
Reversal of accumulated net loss in Tenex		-	6,827
Cumulative share in total comprehensive loss, ending		(161,109)	(169,991)
		98,891	90,009

7.1.1 Concepcion Midea Inc. (CMI)

CMI's primary business is to sell and distribute air conditioners, refrigerators, laundry, kitchen, and small domestic appliances marketed under Midea and Toshiba brands for the domestic market CIC has a subscription agreement with CMI, whereby the former subscribes from the increase in the authorized share capital of the latter. As at December 31, 2023 and 2022, CIC and CCAC had a total of 110 million and 150 million (2022-110 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).

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

	2023	2022
Current assets	1,936,479	1,460,127
Non-current assets	112,202	95,663
Current liabilities	(1,857,302)	(1,384,063)
Non-current liabilities	(33,942)	(31,371)
Total equity	(157,437)	(140,356)
Revenue	3,545,336	2,649,732
Net income (loss) for the year	18,106	(59,505)
Other comprehensive income (loss)	(1,025)	2,165
Total comprehensive income (loss)	17,081	(57,340)
Cash provided by operating activities	19,697	25,766
Cash used in investing activities	(1,975)	(6,829)
Cash used in financing activity	(34,899)	(26,747)

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

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

As at December 31, 2023, the carrying value of NCI is P6,433 (2022 - P6,827). NCI's share in net loss of Tenex is 396 (2022 - P1,052).

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, 2023 and 2022, the transaction and balances of Teko SG are limited to cash and equity of USD3.

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 is as follows:

7.2.1 CCAC

	2023	2022
Current assets	5,675,801	5,397,248
Non-current assets	859,461	820,416
Current liabilities	(2,527,717)	(2,397,904)
Non-current liabilities	(473,108)	(431,068)
Total equity	(3,534,438)	(3,388,695)
Revenue	8,993,594	7,666,532
Net income for the year	582,732	433,576
Other comprehensive income (loss)	(6,982)	4,860
Total comprehensive income	575,750	438,436
Cash provided by operating activities	1,093,868	117,006
Cash used in investing activities	(46,137)	(25,783)
Cash used in financing activities	(616,114)	(649,251)

As at December 31, 2023, the carrying value of NCI amounted to P2,175,930 (2022 - P1,942,837). Distribution of profit to NCI of CCAC amounted to P172,000 (2022 - P202,100; 2021 - P188,164) (Note 21.2).

7.2.2 COPI

	2023	2022
Current assets	1,124,331	954,054
Non-current assets	29,591	49,072
Current liabilities	(751,261)	(616,158)
Non-current liabilities	(4,613)	(3,653)
Total equity	(398,048)	(383,315)
Revenue	1,122,537	1,000,272
Net income for the year	106,234	96,184
Other comprehensive income (loss)	(1,501)	167
Total comprehensive income	104,733	96,351
Cash provided by operating activities	88,462	111,589
Cash used in investing activities	(521)	(1,068)
Cash used in financing activities	(103,230)	(93,783)

As at December 31, 2023, the carrying value of NCI amounted to P236,082 (2022 - P184,027). Distribution of profit to NCI by COPI in 2023 amounted to P44,100 (2022 - P39,200; 2021 - P78,400) (Note 21.2).

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.

	2023	2022
Current assets	17,643	15,361
Non-current assets	14,023	13,919
Current liabilities	(73,401)	(69,762)
Non-current liabilities	(3,386)	(2,632)
Total capital deficiency	45,121	43,114
Revenue	52,551	34,364
Net loss for the year	(2,214)	(15,450)
Other comprehensive income	206	656
Total comprehensive loss	(2,007)	(14,794)
Cash provided by (used in) operating activities	457	(20,203)
Cash used in investing activities	(88)	(431)
Cash provided by (used in) financing activities	(1,417)	17,040

As at December 31, 2023, the carrying value of NCI amounted to P23,457 (2022 - P24,386). In 2023, NCI's share in net loss of Teko amounted to P929 (2022 - P6,484).

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

	2023	2022
Current assets	105,030	83,627
Non-current assets	789	1,345
Current liabilities	(86,444)	(68,129)
Non-current liabilities	(450)	(580)
Total equity	(18,925)	(16,263)
Revenue	161,229	62,295
Net income (loss) for the year	1,981	(1,938)
Other comprehensive income	681	438
Total comprehensive gain (loss) for the period	2,662	(1,500)
Cash provided by (used in) operating activities	(13,601)	3,579
Cash used in investing activities	(561)	(149)
Cash provided by financing activity	(189)	(1,137)

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

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.

As at December 31, 2023, the carrying value of NCI amounted to P658 (2022 - (P1,054)).

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.

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, 2023 and 2022. The Group did not recognize impairment losses for the each of the three years in the period ended December 31, 2023 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, 2023.

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 and December 31, 2023		187,113	13,883	118,561	319,557
Accumulated amortization					
At January 1, 2023		68,392	13,883	101,439	183,714
Amortization	16, 17	7,484	-	9,379	16,863
At December 31, 2023		75,876	13,883	110,818	200,577
Net book values at December 31, 2023		111,237	-	7,743	118,980
Cost					
At January 1, 2022		187,113	13,883	118,846	319,842
Adjustment		-	-	(285)	(285)
At December 31, 2022		187,113	13,883	118,561	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	101,439	183,714
Net book values at December 31, 2022		118,721	-	17,122	135,843

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%.

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.

During the year 2023, the salient provision of the CREATE law in relation to MCIT has lapsed reverting the rate to the original 2% rate. The Company's fiscal year has fallen into a period applying two different rates, thus, MCIT rate used was 1.50%, averaged during the year.

For the year ended December 31, 2023, CIC and its subsidiaries applied the RCIT rate of 20% or 25%, as applicable, and MCIT rate of 1.5% (2022 and 2021 - RCIT rate of 20% or 25%; MCIT rate of 1%).

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

	2023	2022
Deferred income tax assets to be recovered within 12 months		
Provision for volume rebates, trade discounts and other incentives	141,989	159,356
Accrued employee-related costs	63,697	46,567
Provision for impairment of receivables	45,475	44,442
Provision for inventory obsolescence	31,389	26,074
Provision for warranty costs	19,077	17,019
Provision for contingencies	13,024	8,797
Accrued royalties and other liabilities	8,935	11,985
Provision for commission	5,907	2,297
Accrual for advertising and promotion expenses	4,149	6,595
Provision for customer claims	1,398	47
Unamortized past service cost	132	169
Unrealized foreign exchange loss	4	1
Excess of lease liabilities over right-of-use assets	-	168
	335,176	323,517
Deferred income tax assets to be recovered after 12 months		
Net operating loss carry over (NOLCO)	147,381	145,871
Retirement benefit obligation	68,721	60,076
Remeasurement loss on retirement benefits charged directly to equity	64,899	52,009
Unamortized past service cost	21,229	24,387
Excess of lease liabilities over right-of-use assets	7,696	4,429
Minimum corporate income tax (MCIT)	5,842	5,949
Unrealized foreign exchange loss	954	-
Provision for warranty costs	718	837
	317,440	293,558
Total deferred income tax assets	652,616	617,075
Deferred income tax liability to be settled within 12 months		
Unrealized foreign exchange gain	-	(3,207)
Deferred income tax liabilities to be settled after 12 months		
Intangible assets	(32,119)	(33,989)
Total deferred income tax liabilities	(32,119)	(37,196)
Net deferred income tax assets	620,497	579,879

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

	2023	2022
NOLCO	80,211	65,684
Accrued expenses	21,441	11,100
Retirement benefit obligation	5,864	5,412
MCIT	31	23
	107,547	82,219

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.

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Details of NOLCO as at December 31 are as follows:

Year of incurrence	Year of Expiration	2023	2022
2019	2022	-	228,290
2020	2025	292,195	292,195
2021	2026	365,649	365,649
2022	2025	200,802	200,627
2023	2026	77,619	-
		936,265	1,086,761
Amount expired		(15,003)	(228,290)
		921,262	858,471
Effective tax rate		24.70%	24.64%
		227,592	211,555

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	2023	2022
2019	2022	-	623
2020	2023	2,249	2,249
2021	2024	1,361	1,361
2022	2025	2,362	2,362
2023	2026	2,150	-
		8,122	6,595
Amount expired		(2,249)	(623)
		5,873	5,972

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	2023	2022
Beginning		579,879	555,825
Charged to other comprehensive income	20	7,164	(3,002)
Credited to profit or loss		31,323	24,629
MCIT		2,131	2,427
Ending		620,497	579,879

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

	2023	2022	2021
Current	277,336	231,812	317,864
Deferred	(31,323)	(24,629)	(103,455)
	246,013	207,183	214,409

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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:

	2023	2022	2021
Statutory income tax at 20% or 25%	227,795	142,921	175,840
Add (Deduct) reconciling items:			
Unrecognized NOLCO	14,724	36,371	23,899
Movement of unrecognized deferred income tax assets	12,018	4,182	(8,463)
Interest income subject to final tax	(6,005)	(2,106)	(21,978)
Share in net loss of associates	(2,353)	7,999	5,629
Non-deductible expenses	(652)	3,519	13,699
Unrecognized MCIT	486	8	(4)
Impact of change in rates	-	-	25,787
Prior year income tax	-	14,289	-
Actual provision for income tax	246,013	207,183	214,409

Note 10 - Trade payables and other liabilities

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

	Note	2023	2022
Trade payables			
Third parties		1,051,779	1,036,070
Related parties	14	337,606	260,196
		1,389,385	1,296,266
Accrued expenses			
Project costs		541,677	553,734
Personnel costs		426,398	346,161
Outside services		238,351	282,688
Freight		47,128	48,574
Rental and utilities		42,552	53,420
Importation costs		40,034	46,177
Advertising and promotion		29,377	44,489
Professional fees		18,654	56,002
Repairs and maintenance		5,541	5,067
Installation and cleaning costs		-	126
Others		79,515	104,502
		1,469,227	1,540,940
Other liabilities			
Advances on sales contract		302,323	284,702
Billings in excess of costs incurred and estimated earnings on uncompleted contracts		199,792	277,572
Output value-added tax (VAT), net of input VAT		291,337	145,778
Withholding taxes and other mandatory government remittances		42,564	90,962
Related parties	14	54,092	35,140
Others		358,657	224,899
		1,248,765	1,059,053
		4,107,377	3,896,259

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 P841,019 (2022 - P1,001,406) over the cumulative costs incurred amounting to P641,227 as at December 31, 2023 (2022 - P723,834).

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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, 2023 and 2022 amounted to P277,572 and P317,271, respectively.

Note 11 - Provision for warranty

Movements in provision for warranty as at December 31 follow:

11.1 Current

	2023	2022
Beginning	68,077	56,345
Provisions	134,439	141,427
Payments	(121,741)	(129,695)
Ending	80,775	68,077

11.2 Non-current

	2023	2022
Beginning	5,941	5,199
Payments	(4,441)	(7,522)
Provisions	1,374	6,241
Acquisition of Tenex	-	2,023
Ending	2,874	5,941

In 2023, provisions for warranty costs amounting to P134,995 (2022 - P125,093) and P818 (2022 - P22,575) were recognized as part of operating expenses (Note 17) and materials and labor on cost of services (Note 16), respectively.

Note 12 - Other provisions

Details of other provisions as at December 31 consist of:

	2023	2022
Contingencies	66,320	29,504
Commission	37,855	9,187
	104,175	38,691

Movements in provision for contingencies as at December 31 follow:

	Note	2023	2022
Beginning		29,504	2,450
Provisions	17	34,737	27,054
Payments		(4,553)	-
Other		6,632	-
Ending		66,320	29,504

Provision for contingencies pertains to provision for assessments, and customer claims.

In 2023, provisions for contingencies amounting to P29,333 (2022 - P27,504) and P5,404 (2022 - nil) were recognized as part of operating expenses (Note 17) and materials and labor on cost of services (Note 16), respectively.

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Movements in provision for commission as at December 31 follow:

	2023	2022
Beginning	9,187	13,310
Provisions	76,114	26,728
Payments	(57,163)	(30,851)
Other	9,717	-
Ending	37,855	9,187

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.

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:

	2023	2022
Beginning	114,000	250,000
Availments	-	150,000
Payments	(109,400)	(286,000)
Ending	4,600	114,000

As at December 31, 2023, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months at 6.75% to 7.35% (2022 - 5.35% to 7.25%). Interest expense on borrowings recognized during the year amounted to P1,854 and paid P1,890 (2022 - P14,443 and paid P14,393; 2021 - P11,503).

There were no non-cash movements on borrowings for the years ended 2023 and 2022. Net asset after deducting cash and cash equivalents amounting to P2,372,614 (2022 - P1,688,163; 2021 - P2,518,403) from the balance of short-term borrowings amounted to P2,368,014 (2022- P1,574,163; 2021 - P2,268,403).

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:

	2023		2022		2021		
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Terms and conditions
Shareholders							
Rent and utilities	66,087	-	62,495	(7,597)	56,933	-	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	43,441	-	42,589	-	36,047	-	
Advance rental	-	-	-	-	1,683	-	Refer to Note 19.
Security deposit	-	-	-	-	1,493	-	Refer to Note 19.
Dividends declaration	198,956	-	401,855	-	401,955	-	Refer to Note 21.2.
Reimbursements from shareholders	141	598	368	613	594	866	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	32,206	14,761	24,774	4,542	22,180	2,058	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	7,870	7,870	7,961	7,844	2,763	(2,763)	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.
Purchase of goods, net of returns	671	(1,691)	2,637	(2,000)	16,280	(27)	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	8,798	2,565	1,645	1,087	8,143	4,937	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)	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	2,782	258	2,769	4	3,036	-	
Reimbursements from associates	140,421	76,172	127,181	37,677	173,338	15,198	
Reimbursements to associates	1,234	(1,735)	4,078	(6,680)	63,138	(28,265)	

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	2023		2022		2021		
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Terms and conditions
Entities under common control							
Rent and utilities	35,330	(2,944)	35,607	(5,746)	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	1,351	1,351	11,038	-	6,650	-	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. Refer to Note 18
Dividends declaration	216,100	-	241,300	-	266,564	-	Refer to Note 21.2.
Purchases, net purchase returns	2,156,124	(335,915)	1,727,306	(258,196)	165,020	(90,434)	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)	
Reimbursements	23	(2,181)	3,137	(593)	-	-	Payable in cash within 60 days unsecured and bears no interest. Refer to Notes 16, 17 and 19.
Royalty/Technical fees	57,147	(46,075)	53,849	(9,695)	51,895	(2,678)	
Total receivable from related party		103,575		51,767		23,059	Note 3
Total payable to related party		391,698		295,336		130,145	Note 10
Key management personnel							
Short-term							
Directors fees	6,553	(9,505)	1,918	(2,952)	3,368	(4,329)	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	386,010	(83,992)	389,093	(78,671)	361,865	(82,658)	
Long-term							
Retirement benefits	16,993	(244,994)	18,154	(197,744)	57,841	(179,616)	Refer to Note 20.
Retirement plan							
Contributions to the retirement fund	-	-	1,532	-	17,412	-	Refer to Note 20.
Claims from the retirement fund	-	-	-	3,555	-	-	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.

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

	2023	2022	2021
As at December 31			
Investment in subsidiaries	4,875,526	4,819,351	4,824,651
Trade and other receivables	627,809	401,042	122,461
Trade payables and other liabilities	612,309	401,042	106,961
Short-term borrowings	15,500	15,500	15,500
Deposits for future shares subscription	-	29,300	-
For the years ended December 31			
Sale of services	655,688	572,572	432,932
Sales of goods		-	14,846
Cost of services	423,327	400,669	339,313
Cost of goods	13,578	5,877	6,412
Operating expenses	241,827	195,662	123,005
Other operating income			
Dividend income	414,739	592,035	641,209
Interest income	1,857	1,441	830
Interest expense	1,857	1,441	830

Note 15 - Revenue from contracts with customers

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

	Note	2023	2022	2021
Gross sales				
Sale of goods (Point in time)		15,368,292	13,403,727	13,351,797
Sale of services (Over time)		958,580	939,786	314,780
		16,326,872	14,343,513	13,666,577
Deductions				
Trade and volume discounts and other incentives	3	(1,170,502)	(682,500)	(954,402)
Sales returns		(494,953)	(485,940)	(472,936)
		(1,665,455)	(1,168,440)	(1,427,338)
Net Sales		14,661,417	13,175,073	12,239,239

(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:

	2023	2022
Current contract assets relating to percentage of completion (POC) contracts	3,908,633	2,319,699
Loss allowance	(98)	(352)
	3,908,535	2,319,347
Less: Contract billings	(3,059,116)	(1,537,679)
	849,419	781,668

The opening balances of contract assets as at December 31, 2023 and 2022 amounted to P781,668 and P493,563, respectively.

Further, as at December 31, 2023, contract liabilities representing billings in excess of costs incurred and estimated earnings on uncompleted contracts, and warranty obligations amounting to P199,792 and P83,649, respectively (2022 - P277,572 and P74,018) are disclosed in Notes 10 and 11.

Note 16 - Cost of sales and services

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

	Note	2023	2022	2021
Raw materials used		4,061,070	5,956,654	5,178,189
Labor		161,192	172,208	185,108
Overhead		582,698	608,806	660,388
Total manufacturing cost		4,804,960	6,737,668	6,023,685
Work-in-process, beginning	4	572	2,587	4
Work-in-process, ending	4	(574)	(572)	(2,587)
Cost of goods manufactured		4,804,958	6,739,683	6,021,102
Finished goods inventory, beginning	4	1,510,893	1,140,542	1,295,612
Acquisition of Tenex		-	1,005	-
Gross purchases - trading		4,014,926	1,965,279	1,437,200
Finished goods available for sale		10,330,777	9,846,509	8,753,914
Finished goods inventory, ending	4	(1,223,368)	(1,510,893)	(1,140,542)
Total cost of sales		9,107,409	8,335,616	7,613,372
Cost of installation and maintenance of elevators		862,626	758,263	547,727
Others		36,200	25,517	12,711
Total cost of services		898,826	783,780	560,438
		10,006,235	9,119,396	8,173,810

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

	Notes	2023	2022	2021
Indirect labor		253,973	262,224	294,811
Depreciation and amortization	5	75,144	80,507	77,945
Repairs and maintenance		52,095	49,631	54,407
Outside services		48,543	43,955	60,295
Rent and utilities	14, 19	46,299	88,437	48,484
Taxes and licenses		44,952	45,562	40,108
Amortization of right-of-use assets	19	33,460	8,249	39,378
Indirect materials and supplies		12,802	13,100	2,243
Travel and transportation		12,340	11,393	8,289
Insurance		4,143	5,745	5,680
Amortization of intangible assets	8	616	2,122	2,138
Others		(1,669)	(2,119)	26,610
		582,698	608,806	660,388

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

	Notes	2023	2022	2021
Materials and labor	4	671,433	565,068	396,423
Personnel costs		138,303	114,813	87,875
Royalty/technical fees	14, 19	27,991	31,583	28,885
Supplies		20,263	17,290	926
Depreciation and amortization	5	8,067	7,718	7,908
Rent and utilities	14, 19	7,392	11,418	4,602
Amortization of right-of-use assets	19	6,915	7,237	7,525
Outside services		4,540	2,583	4,861
Taxes and licenses		4,088	4,285	3,703
Transportation and travel		3,837	2,904	2,685
Provision for inventory obsolescence	4	1,552	599	-
Repairs and maintenance		236	199	339
Insurance		-	-	800
Others		4,209	18,083	13,906
		898,826	783,780	560,438

Note 17 - Operating expenses

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

	Notes	2023	2022	2021
Personnel costs	12, 20	1,479,259	1,256,456	1,326,060
Outside services and professional fees		857,607	775,023	725,362
Outbound freight		376,891	355,574	341,953
Advertising and promotion		195,354	105,690	154,266
Amortization of right-of-use assets	19	185,550	174,784	203,060
Rent and utilities	14, 19	152,683	140,192	87,487
Warranty cost	11	134,995	125,093	129,694
Depreciation and amortization	5	59,684	63,140	65,487
Taxes and licenses		58,843	50,010	68,961
Transportation and travel		54,204	34,744	20,020
Royalty/technical fees	14, 19	36,031	30,951	31,356
Provision for contingencies	12	29,333	27,504	11,120
Amortization of intangible assets	8	16,247	26,275	29,914
Provision for inventory obsolescence	4	19,705	15,730	31,984
Repairs and maintenance		16,913	14,841	12,221
Provision for impairment of receivables	3	10,173	3,026	11,858
Others		94,272	160,937	160,703
		3,777,744	3,359,970	3,411,506

Note 18 - Other operating income (loss), net

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

	Notes	2023	2022	2021
Interest income	2	24,844	8,493	5,483
Commission income	14	1,351	11,038	6,650
Loss on foreign exchange forward contracts	26	(187)	(666)	(1,778)
Loss on disposal of property and equipment	5	(519)	(62)	(160)
Foreign exchange losses, net	25	(6,740)	(118,790)	(45,219)
Miscellaneous		33,362	34,053	19,950
		52,111	(65,934)	(15,074)

Miscellaneous income pertains mainly to interest income from employee loans and expired warranties.

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, 2024.

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. The latest renewal of the lease extends the lease term to July 31, 2025.

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 2, 2021 and ending on October 31, 2026, subject to renewal or extension on such terms and conditions as may be agreed upon by the parties.

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

19.1.8 COPI 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 2024.

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, 2022		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
Additions		3,995	213,742	7,848	7,493	-	233,078
Lease terminations		-	(16,666)	(85,243)	(51,719)	(2,135)	(155,763)
Modifications and transfers		-	(17,207)	-	-	2,668	(14,539)
December 31, 2023		45,015	548,308	43,837	24,924	61,543	723,627
Accumulated amortization							
January 1, 2022		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)	(491,806)
Modifications and transfers		-	-	-	907	-	907
December 31, 2022		29,317	126,193	43,568	59,523	42,154	300,755
Amortization	16, 17	12,544	174,985	12,285	12,591	13,520	225,925
Lease terminations		-	(54,817)	(30,340)	(55,014)	(3,983)	(144,154)
December 31, 2023		41,861	246,361	25,513	17,100	51,691	382,526
Net book values							
December 31, 2022		11,703	242,246	77,664	9,627	18,856	360,096
December 31, 2023		3,154	301,947	18,324	7,824	9,852	341,101

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

	2023	2022
Beginning	378,787	456,136
Additions	233,078	270,607
Modifications and adjustments	(14,539)	(1,950)
Transfers	-	(747)
Terminations	(11,609)	(156,270)
Interest expense	23,805	18,087
Acquisition of Tenex	-	1,291
Principal payments	(213,131)	(190,280)
Interest payments	(23,805)	(18,087)
Ending	372,586	378,787

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

	2023	2022
Current	191,304	136,873
Non-current	181,282	241,914
	372,586	378,787

(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:

	2023	2022	2021
Amortization expense			
Building and leasehold improvements	12,544	11,489	12,131
Warehouse	174,985	139,017	149,714
Office space	12,285	10,377	49,120
Vehicles	12,591	17,241	26,555
Others	13,520	12,146	12,443
	225,925	190,270	249,963
Interest expense (included in interest expense)	23,805	18,087	12,329
Expense relating to short-term leases	-	19,181	-
Expense relating to leases of low-value assets that are not shown above as short-term leases	18,750	23,340	6,675
Expense relating to variable lease payments not included in lease liabilities	-	21,693	-

Certain leased assets were subleased by the Group. Income arising from subleasing amounted to P1,938 (2022 - P3,343).

The total cash outflow for long-term leases for the year amounted to P236,936 (2022 - P208,367).

(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 7.50%.

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 royalty. The agreements remain effective unless terminated by both parties.

Royalty/technical fees for the above agreements charged to operations in 2023 amounted to P6,875 (2022 - P8,685: 2021 - P8,346) (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 2023 amounted to P29,156 (2022 - P22,266; 2021- P23,010) (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 2023 amounted to P27,991 (2022 - P31,583; 2021 - P28,885) (Note 16).

19.2.4 Assignment Agreement with OECPI

COPI has no outstanding payable to OECPI as at December 31, 2023 (2022 - P3,672) 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, 2023 and 2022, 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, 2023.

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 t0 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
2023									
Retirement benefit obligation	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
Retirement benefit expense	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318
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

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
2023									
Present value of retirement benefit obligation	23,456	381,034	164,904	84,780	26,347	861	3,386	450	685,218
Fair value of plan assets	-	(4,176)	(17,237)	-	(22,560)	-	-	-	(43,973)
	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
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

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
2023									
Beginning	21,647	345,616	164,739	76,832	30,388	885	2,632	580	643,319
Interest cost	1,201	22,727	11,890	4,909	2,197	64	193	42	43,223
Current service cost	475	39,286	17,423	12,391	3,066	87	819	508	74,055
Transfer of employees	-	(4,018)	14,580	(2,683)	-	-	-	-	7,879
Benefits paid directly by the Group	-	-	(55,671)	(11,430)	(5,414)	-	-	-	(72,515)
Benefits paid from the plan assets	-	(17,747)	-	-	(6,014)	-	-	-	(23,761)
Settlement gain/(loss)	-	(5,071)	(123)	(747)	-	-	-	-	(5,941)
Remeasurement loss (gain)									
Changes in financial assumptions	(37)	3,463	3,856	1,278	1,297	18	167	28	10,070
Changes in demographic assumptions	-	570	(2,592)	(100)	(3,491)	(201)	-	-	(5,814)
Experience adjustments	170	(3,792)	10,802	4,330	4,318	8	(425)	(708)	14,703
Ending	23,456	381,034	164,904	84,780	26,347	861	3,386	450	685,218
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)	-	-	(3,419)	-	1	-	(16,184)
Settlement paid from book reserved	-	-	-	(12,052)	-	-	(294)	-	(12,346)
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

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

	CCAC	CDI	COPI	Total
2023				
Beginning	29,640	16,442	26,735	72,817
Interest income	1,352	948	1,716	4,016
Benefits paid from the fund	(17,747)	-	(6,014)	(23,761)
Remeasurement gain (loss) from experience adjustments	(9,069)	(153)	123	(9,099)
Ending	4,176	17,237	22,560	43,973
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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2023									
Beginning	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502
Retirement benefit expense	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318
Remeasurement gain	133	9,310	12,218	5,508	2,002	(175)	(258)	(680)	28,058
Transfer of employees	-	(4,018)	14,583	(2,683)	-	-	-	-	7,882
Benefits paid directly by the Group	-	-	(55,671)	(11,430)	(5,414)	-	-		(72,515)
Ending	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
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	5,061	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

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

	2023			2022		
	CCAC	COPI	CDI	CCAC	COPI	CDI
Government securities	22%	98%	78%	96%	-	82%
Unit investment trust fund	25%	-	21%	4%	-	18%
Fixed rate treasury notes	-			-	96%	-
Corporate bonds	52%			-	-	-
Cash and cash equivalents	0%	1%		-	1%	-
Receivables	-			-	3%	-
Others	1%	1%	1%	-	-	-
	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
2023									
Current service cost	475	39,286	17,421	12,391	3,065	87	819	508	74,052
Interest cost	1,201	22,727	11,890	4,909	2,197	64	193	42	43,223
Interest income on plan assets	-	(1,352)	(948)	-	(1,716)	-	-	-	(4,016)
Settlement gain or loss	-	(5,071)	(123)	(747)	-	-	-	-	(5,941)
	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318
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

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

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

	Note	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2023										
Beginning		(2,696)	80,801	2,745	3,854	4,090	(544)	88	(284)	88,054
Acquisition of Tenex		-	-	-	-	-	-	-	-	-
Remeasurement loss (gain)		133	9,310	12,218	5,508	2,002	(175)	(258)	(680)	28,058
Tax effect	9	-	(2,327)	(3,055)	(1,377)	(501)	44	52	-	(7,164)
Ending		(2,563)	87,784	11,908	7,985	5,591	(675)	(118)	(964)	108,948
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	9	-	13,567	(372)	2,967	(570)	252	(102)	-	15,742
Tax effect (CREATE)		-	8,279	485	699	170	24	42	-	9,699
Ending		(6,491)	85,661	8,353	1,582	4,257	(394)	744	-	93,712

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex
2023								
Discount rate	6.71%	6.93%	6.97%	6.91%	6.94%	7.00%	6.98%	6.98%
Salary increase rate	3.70%	5.00%	5.00%	5.00%	5.00%	2.30%	5.00%	5.00%
Average expected future service years of plan members	9.3	21.4	18.4	24.7	30	22.2	27.1	26
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	27

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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2023									
Less than a year	23,290	154,301	31,945	13,204	9,730	32	-		232,502
More than 1 year to 5 years	44	222,049	78,397	97,006	17,155	198	-	188	415,037
More than 5 years to 10 years	75	239,563	141,029	63,478	15,450	280	5,676	197	465,748
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

The weighted average duration of the defined benefit obligation as at December 31, 2023 0.1 to 20.1 years (2022 - 0.6 to 20.8 years).

Note 21 - Equity

21.1 Share capital

As at December 31, 2023 and 2022, CIC's authorized share capital amounting to P700,000 is composed of P700 million shares with par value of P1 per share.

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, 2021	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)
Acquisition of treasury shares	-	-	-	-
December 31, 2023	397,912,491	407,264	993,243	(241,464)

21.2 Retained earnings; subsequent event

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

Date declared	Dates paid	Per share	2023	2022	2021
March 29, 2023	April 25, 2023	0.5	198,956	-	-
February 16, 2022	April 12, 2022	1.0	-	401,855	-
February 10, 2021	April 12, 2021	1.0	-	-	401,955
			198,956	401,855	401,955

For the year ended December 31, 2023, NCI from profit distribution of CCAC and COPI amounted to P172,000 and P44,100, respectively (2022 - P202,100 and P39,200, respectively; 2021 - P188,164 and 78,400, respectively) (Note 7.2).

CIC annually performs an evaluation of the amount to be declared as dividends. Subsequently, on March 26, 2024, CIC's BOD declared cash dividends in the amount of P0.70 per share totaling to P277,629 for shareholders of record as at April 15, 2024 (after buyback of shares) which will be paid on April 26, 2024.

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 for another two years or until September 9, 2024. Out of the approved buyback of 300 million, total amount of shares repurchased was P168 million as at December 31, 2023 and 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, 2021		5,308,800		170,068
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

On March 6 and 7, 2024 CIC repurchased additional shares of 1 million and 0.3 million shares, respectively, totaling to P15.6 million.

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:

	2023	2022	2021
Net income attributable to owners of the Parent Company	383,256	153,836	164,750
Weighted average common shares - basic and diluted (in '000)	397,912	400,161	401,895
Basic and diluted earnings per share	0.96	0.38	0.41

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 across all building segments. 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
2023				
Net sales and services	10,020,157	4,566,114	75,146	14,661,417
Timing of revenue recognition				
At point in time	10,020,157	3,680,875	1,805	13,702,837
Over time	-	885,238	73,342	958,580
Cost of sales and services	(6,858,727)	(3,111,378)	(36,131)	(10,006,235)
Gross profit	3,161,430	1,454,736	39,016	4,655,182
Operating expenses*	(2,726,400)	(909,554)	(141,790)	(3,777,744)
Depreciation and amortization**	(83,951)	(33,200)	(25,744)	(142,895)
Amortization of right-of-use assets	(149,273)	(69,967)	(6,685)	(225,925)
Other operating income	25,271	25,427	1,413	52,111
Interest income	8,160	12,501	4,183	24,844
Interest expense	(18,685)	(5,582)	(1,392)	(25,659)
Share in net loss of associates	9,415	-	-	9,415
Income tax benefit (expense)	(113,876)	(135,909)	3,772	(246,013)
Net income (loss) for the year	337,155	429,117	(98,980)	667,292
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	(6,761,598)	(2,331,612)	(26,186)	(9,119,396)
Gross profit	2,997,918	1,028,992	28,767	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)	(75,923)	(534)	10,522	(65,934)
Interest income	2,346	2,825	3,322	8,493
Interest expense	(17,974)	(2,555)	(12,001)	(32,530)
Share in net income of associates	(30,943)	(1,053)	-	(31,996)
Income tax benefit	(110,095)	(88,977)	(8,111)	(207,183)
Net income for the year	206,958	259,027	(107,922)	358,064

	Consumer business	Commercial business	Others	Total
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	2,550	11,924,459
Over time	-	284,398	30,382	314,780
Cost of sales and services	(6,503,948)	(1,652,190)	(17,672)	(8,173,810)
Gross profit	3,172,772	877,398	15,260	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)	(13,327)	(4,722)	2,975	(15,074)
Interest income	2,780	1,558	1,145	5,483
Interest expense	(7,740)	(3,711)	(12,381)	(23,832)
Share in net income of associates	(20,717)	(1,796)	-	(22,513)
Income tax expense (benefit)	(138,765)	(88,228)	12,576	(214,409)
Net income for the year	352,964	217,346	(192,214)	378,095

** 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*

The Group revised the breakdown of revenue and related deductions for the period, to conform with the current year presentation. The changes did not impact previously reflected net income, financial position and cash flow (Note 15).

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 is engaged in manufacturing, distribution, installation and service of 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 and distribution 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
2023	201,709	137,922	1,272	64,582	405,485
2022	565,425	62,422	(12,794)	385,594	1,000,647
2021	838,164	339,884	10,847	32,249	1,221,144

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

	CCAC	CDI	COPI	Others	Total
2023					
Current assets	5,679,909	2,408,093	1,127,044	483,256	9,698,302
Non-current assets	790,385	476,566	892,799	384,848	2,544,598
Current liabilities	2,420,435	802,241	706,584	558,971	4,488,231
Non-current liabilities	473,108	230,882	4,613	116,798	825,401
Other information					
Investment in associates	80,923	-	-	17,968	98,891
Additions to non-current assets					
Property and equipment	55,949	44,649	521	12,601	113,720
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

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
2023					
Yen	-	(4,317)	(4,317)	0.39	(1,697)
U.S. Dollar	27	(2,635)	(2,608)	55.57	(144,919)
Chinese Yuan	3	(60,741)	(60,738)	7.81	(474,528)
Euro	1	(76)	(75)	61.47	(4,611)
					(625,755)
2022					
Yen	-	(31,860)	(31,860)	0.42	(13,298)
U.S. Dollar	1,765	(8,522)	(6,757)	55.27	(379,203)
Hong Kong Dollar	-	(1,570)	(1,570)	7.08	(11,303)
Chinese Yuan	594	(19,818)	(19,224)	7.94	(154,507)
Euro	1	(215)	(214)	58.79	(12,745)
					(571,056)
2021					
Yen	-	(22,794)	(22,794)	0.47	(10,800)
U.S. Dollar	1,774	(11,287)	(9,513)	50.27	(478,209)
Hong Kong Dollar	-	(650)	(650)	7.20	(4,680)
SGD	37	(36)	1	37.14	37
Chinese Yuan	300	(17,851)	(17,551)	7.89	(138,527)
Euro	77	(80)	(3)	56.87	(171)
					(632,350)

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

	Note	2023	2022	2021
Realized foreign exchange gains (losses), net		4,551	(132,322)	(33,205)
Unrealized foreign exchange gains (losses), net		(11,291)	13,532	(12,014)
	18	(6,740)	(118,790)	(45,219)

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 2023 and 2022.

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, 2023 and 2022.

These foreign currency forward contracts are accounted for as financial instruments at fair value through profit or loss. In 2023, the impact to profit and loss of foreign currency contract transactions during the year amounted to P187 loss (2022 - P666 loss; 2021 - P1,778 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, 2023, if the Philippine Peso had weakened/ strengthened by 2.18% (2022 -9.83 % ; 2021 - 5.42%) 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 P3,172 (2022 - P23,110; 2021 - P23,205) as a result of foreign exchange loss/gain on translation of US Dollar-denominated net liabilities.

As at December 31, 2023, if the Philippine Peso had weakened/strengthened by 3.90% (2022 -1.68 %; 2021 - 9.67%) against the Chinese Yuan with all other variables held constant, equity and income before tax for the year would have been lower/higher by P9,293 (2022 - P96; 2021 - P6,655) 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, 2023 and 2022.

(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, 2023, if the market prices of the Group's purchases increase/decrease by 3.90% (2022 - 8.10%; 2021 - 4.50%) (based on average price inflation), equity and profit before tax for the year would have been lower/higher by P297,828 (2022 - P262,235;2021 - P173,991). While the Group does not engage in commodities hedging, risk exposure in commodity purchases is managed by locking in prices with vendors for a minimum of 3 months.

(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:

	2023		2022	
Type of credit facility	Currency	Amount	Currency	Amount
Bank of Philippine Islands				
Revolving promissory note line	Philippine Peso	2,500,000	Philippine Peso	2,500,000
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	550,000
Foreign Exchange Risk	Philippine Peso	500,000	Philippine Peso	500,000
Foreign exchange settlement line	U.S. Dollar	-	U.S. Dollar	-
Citibank				
Bills purchased line	Philippine Peso	59,000	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	7,660	U.S. Dollar	8,735
Commercial cards	U.S. Dollar	490	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	-	Philippine Peso	-
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, 2023 and 2022, 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 2023 and 2022.

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

	2023	2022
Share capital	407,264	407,264
Share premium	993,243	993,243
Treasury shares	(241,464)	(241,464)
Retained earnings	3,949,873	3,765,573
	5,108,916	4,924,616

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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022, 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 is P99,742 (2022 - nil) as at December 31, 2023 and 2022.

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, 2023 would be an estimated +P23,422/- P25,537
(2022 - +P25,331/-P34,829) (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 the number of incidents of utilization at the current year would increase the provision recognized at the 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 3.67% (2022 - 10.40%) income before tax and equity would have been P4,476 (2022 - P14,157) 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:

	2023		2022	
	%	Impact	%	Impact
Average decrease due to 100 basis point (bps) decrease in discount rate	(7.97%)	(3,726)	(7.21%)	(3,758)
Average increase due to 100 bps decrease in discount rate	(8.83%)	4,125	8.56%	4,170
Average increase due to 100 bps increase in salary increase rate	(8.96%)	4,169	8.70%	4,225
Average decrease due to 100 bps decrease in salary increase rate	(7.69%)	(2,275)	(7.46%)	(3,793)

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 46% (2022 - 119%), profit before tax and equity would have been P286,608 (2022 - P136,075) 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, 2023 and 2022, 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, 2023 and 2022, 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 covering a five-year period.

The cash flow forecasts reflect management's expectations of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.
Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2023 to 2027 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, 2023.

The following are the key assumptions used:

	2023	2022
Revenue growth rate	16.85%	11.55%
Pre-tax adjusted discount rate	9.68%	10.99%
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, 2023 and 2022.

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 out 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, 2023 and 2022, 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, 2023 amounts to P125,554 (2022 - P104,297). 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 material 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

- Disclosure of accounting policies - Amendments to PAS 1 and PFRS Practice Statement 2

  PAS 1, *"Presentation of Financial Statements"* was amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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 IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The effects of adoption of amendments to PAS 1 and PFRS Practice Statement 2 as at January 1, 2023 are considered in the Summary of material accounting policies (Note 28).

- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to PAS 12

  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, 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 amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2023, reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

28.2 Consolidation

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

28.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which 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, 2023 and 2022 are as follows:

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

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; Teko is 42%; Tenex is 20% as at December 31, 2023 and 2022. The summarized financial information of subsidiaries with material NCI is 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 value 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 are 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 a 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 the 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.

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 as those 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.

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

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.

(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 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 (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions), borrowings and lease liabilities (Note 28.17).

(b) Initial recognition and derecognition

Other financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

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

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

28.6 Fair value measurement

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

As at December 31, 2023 and 2022, the Group does not hold financial and non-financial assets and liabilities at fair value other than foreign exchange forward contracts that qualify under Level 1, which is based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Note 28.5).

28.7 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.

28.8 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.

28.9 Intangible assets

28.9.1 <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.

28.9.2 <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.

28.9.3 <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.

28.10 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.

28.11 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.

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

28.12 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.

28.13 Equity

28.13.1 <u>Share capital and share premium</u>

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.

28.13.2 <u>Retained earnings</u>

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.

28.13.3 <u>Dividends</u>

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.

28.13.4 <u>Treasury Shares</u>

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.

28.14 Earnings per share

<u>Basic</u>

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.

28.15 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.

28.16 Revenue, cost and expense recognition

28.16.1 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

The Group distributes and sells a range of air-conditioning, refrigeration, laundry, kitchen and small domestic appliances and elevators and escalator equipment. Sales are recognized when control of the products has transferred, when the products are delivered, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer'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 customer, and either the customer 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 air conditioning, elevators/escalators and related installation services. In some cases, the installation and service is being performed by third party subcontractors. 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) 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.

28.16.2 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.

28.17 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.

(a) Measurement of lease liabilities

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 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.

28.18 Employee benefits

28.18.1 Retirement benefit obligation

CIC, CCAC,CDI, 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.

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.

28.18.2 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.

28.18.3 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.

28.18.4 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 2023 and 2022.

28.19 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.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
December 31, 2023

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Second Section

Concepcion Industrial Corporation and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2023
(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	-	2,372,614	-	24,844
Trade receivables and receivables from related parties	-	4,157,545	-	-
Contract assets	-	849,419	-	-
	-	7,379,578	-	24,844

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, 2023
(All amounts in thousand Philippine Peso)

Name of Employee	Balance at beginning of year	Additions	Amounts Collected	Amounts Written Off	Current	Non Current	Balance at end or year
Acebuque, Samuel	169	328	327	-	170	-	170
Acosta, Melanie	20	415	273	-	162	-	162
Alandy, Dandy	-	404	204	-	200	-	200
Aquino, Sherwin Anthony	351	-	121	-	230	-	230
Astoriano, Rodette Aguila	-	1,085	900	-	185	-	185
Azores, Rachel Redelicia	-	151	43	-	108	-	108
Barre, Farah	7,767	24,427	31,543	-	651	-	651
Betita, Maria Victoria Asuncion	-	10,926	10,756	-	170	-	170
Borja, Marc Ronan Estillomo	-	272	169	-	103	-	103
Bustamante, Rea	-	161	61	-	101	-	101
Cabajar, Sherina May	338	-	-	-	338	-	338
Cabildo, Marites	-	189	62	-	127	-	127
Castro, Aliza Marie Gerardo	-	418	318	-	100	-	100
Castro, Mary Jane Francisco	-	418	291	-	127	-	127
Cazin, Anthony Dominie	479	885	1,035	-	329	-	329
Concepcion, Jose Antonio Miguel	-	100	-	-	100	-	100
Concepcion, Julius Czar	449	1,105	998	-	556	-	556
Cruz, Michaella	-	495	375	-	121	-	121
Dabon, Cyrus Francis	271	22	161	-	132	-	132
Dauden, Michael Angelo Gallarzan	434	1,185	1,411	-	208	-	208
David, Lou Agustine	-	300	200	-	100	-	100
De Jesus, Arvie	100	-	-	-	100	-	100
De Keyser, Eman Noel Peralta	118	117	118	-	117	-	117
de Leon, Delia	-	214	159	-	55	-	55
De Luna, Mabelle Benigno	-	332	223	-	109	-	109
Del Rosario, Mariel	112	-	-	-	112	-	112
Dela Cruz, Warly Atienza	113	270	147	-	236	-	236
Domingo, Aizel Marie Medenilla	-	319	206	-	114	-	114
Ebuenga, Welmer	148	41	150	-	40	-	40
Estrella, Wilfredo Fajardo	-	2,690	2,569	-	120	-	120
Ferrer, Rex Ramos	185	94	191	-	89	-	89
Fusana, Bianca Irene Brillantes	-	644	393	-	251	-	251
Gatpatan, Leah	113	-	-	-	113	-	113
Ibanez, Hazel Padilla	-	207	97	-	110	-	110
Jacobo, Josephine	-	311	208	-	104	-	104
Jison, Marilou Arandela	-	202	58	-	144	-	144
Jose, Louie	597	-	506	-	90	-	90
Landicho, Marivic	-	230	-	-	230	-	230
Magtibay, Divine Grace	105	206	205	-	106	-	106
Manalon, Casius	296	380	331	-	345	-	345
Manligues, Mary Mademoiselle Pederio	115	190	240	-	64	-	64
Manzano, Lisette Tarranco	112	582	414	-	279	-	279
Martinez, Jonathan	200	-	-	-	200	-	200
Mendoza, Jacquelyn	109	379	316	-	171	-	171
Mendoza, Ma Carolyn	102	88	91	-	100	-	100
Mercado, Leslie Bandoquillo	218	145	306	-	57	-	57
Montemayor, Lei-lani	108	-	52	-	56	-	56
Nunez, Mariska Bassig	165	256	246	-	175	-	175
Ogayon, Ricardo	-	305	106	-	199	-	199
Oreta, Jerwin Recuerdo	100	130	162	-	68	-	68
Ortiz, Jonathan	-	766	559	-	206	-	206
Paraan, Erwin Aure	173	39	206	-	6	-	6
Partoriza, Sherly Marie	128	119	145	-	103	-	103
Pasquito, Val	-	215	114	-	101	-	101
Porquis, Lope Ben	151	5	23	-	133	-	133
Prades, Ronell Andes	246	336	528	-	54	-	54
Prestado, Aleli Joy	104	916	830	-	190	-	190
Radaza, Carla Mae Perez	-	209	67	-	141	-	141
Revilla, Roda Michelle Avestruz	-	360	254	-	106	-	106

Name of Employee	Balance at beginning of year	Additions	Amounts Collected	Amounts Written Off	Current	Non Current	Balance at end or year
Ribaya, Jose Isaac Karunungan	-	340	223	-	117	-	117
Sagun, Abegael Limos	-	251	96	-	155	-	155
Santiago, Ronald Aclon	102	161	125	-	138	-	138
Santos, Rensie	-	700	537	-	163	-	163
Santos, Steven	-	373	10	-	363	-	363
Siccuan, Dean	-	650	469	-	181	-	181
Talabucon, Renante Rey	-	195	75	-	120	-	120
Tandoc, Ruth Paula	-	483	280	-	203	-	203
Tayamora, Rogelio	47	582	386	-	243	-	243
Tomada, Jerich Richmond Tumbaga	-	447	255	-	191	-	191
Torno, Bernard Bautista	100	194	232	-	63	-	63
Torralba, Maribeth	-	189	-	-	189	-	189
Vega, Kim Clouie Lapuz	288	548	723	-	113	-	113
Villamora, Grace	490	-	188	-	303	-	303
Yu, Merril Francis	-	1,844	1,446	-	398	-	398
Others	25,400	101,077	111,404	-	15,073	-	15,073
TOTAL	**40,624**	**162,620**	**175,915**	**-**	**27,328**	**-**	**27,328**

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, 2023
(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	278,000	532,239	(387,778)	-	422,461	-	422,461
Concepcion-Carrier Air Conditioning Company, Subsidiary	20,898	91,886	(72,148)	-	40,636	-	40,636
Concepcion Durables Inc., Subsidiary	7,299	55,855	(45,681)	-	17,473	-	17,473
Concepcion Business Services, Inc., Subsidiary	92,591	672,228	(674,050)	-	90,769	-	90,769
Cortex Technologies Corporation, Subsidiary	24,160	1,141	(306)	-	24,995	-	24,995
Concepcion-Otis Philippines, Inc., Subsidiary	-	98	-	-	98	-	98
Teko Solutions Asia Inc., Subsidiary	1,222	21,797	(20,915)	-	2,104	-	2,104
Alstra Incorporated, Subsidiary	-	45,900	(45,900)	-	-	-	-
Tenex Services, Inc., Subsidiary	16,942	146,392	(134,059)	-	29,275	-	29,275

Concepcion Industrial Corporation and Subsidiaries

Schedule D - Long-Term Debt
As at December 31, 2023
(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, 2023
(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, 2023
(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, 2023

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	15,215,763	N/A

Concepcion Industrial Corporation and Subsidiaries

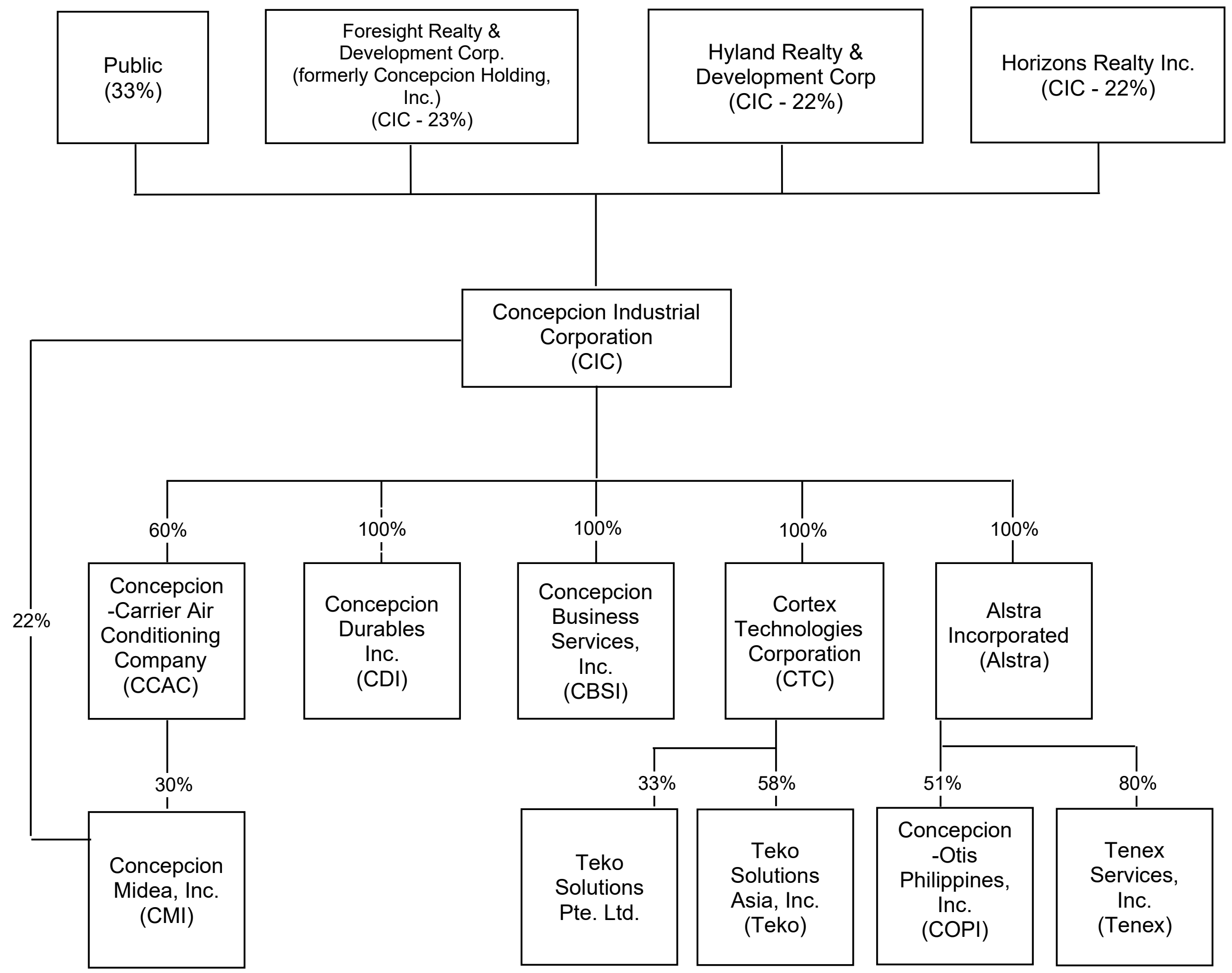
Additional Components of Financial Statements – working paper
Schedule of Financial Soundness Indicators
As at and for years ended December 31, 2023 and 2022

Ratio	Formula	Current Year	Prior Year
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets Divide by: Total Current Liabilities Current ratio	2.16	2.16
Acid test ratio	Quick assets (*Total Current Assets less Inventories and Other Current Assets)* divided by Total Current Liabilities Total Current Assets Less: Inventories Other current assets Quick assets Divide by: Total Current Liabilities Acid test ratio	1.55	1.39
Solvency ratio	Total Assets divided by Total Liabilities Total Assets Divided by: Total Liabilities Solvency ratio	2.30	2.32
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities Divided by: Total Equity Debt-to-equity ratio	0.77	0.76
Asset-to-equity ratio	Total Assets divided by Total Equity Total Assets Divided by: Total Equity Asset-to-equity ratio	1.77	1.76
Interest rate coverage ratio	Earnings before interest and tax divided by Interest expense Earnings before interest and tax Divided by: Interest expense Interest rate coverage ratio	36.59	18.38
Return on average equity	Net income attributable to owners of the Parent Company divided by average equity (net of Non-controlling interest) Net income Divided by: Average equity Return on equity	7.73%	3.06%
Return on average assets	Net income divided by average Total Assets Net income Divided by: average Total Assets Return on assets	5.56%	2.97%
Gross profit margin	Gross profit (*Net sales less cost of sales and services)* divided by Net sales Net sales Less: Cost of sales and services Gross profit Divided by: Net sales Gross profit margin	31.75%	30.78%
Profit before tax	Income before income tax divided by Net sales Income before income tax Divided by: Net sales Profit before tax	6.23%	4.29%

Ratio	Formula	Current Year	Prior Year
Earnings per share	Net income attributable to owners of the Parent Company divided by average outstanding shares Net income Divided by: Outstanding shares Earnings per share	0.96	0.38
Book value per share	Total equity (net of non-controlling interest) divided by average outstanding shares Total equity Divided by: Outstanding shares Book value per share	12.66	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, 2023



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, 2023
(All amounts in Philippine Peso)

Unappropriated Retained Earnings, beginning of the year*		3,013,338,066
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others	-	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	(198,956,246)	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others	-	(198,956,246)
Unappropriated Retained Earnings, as adjusted		2,814,381,820
Add/Less: Net Income for the current year/period		270,566,514
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents		-
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		-
Unrealized fair value gain of investment property		-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		-
Less: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents		-
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)		-
Realized fair value gain of Investment property		-
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents		-
Reversal of previously recorded fair value adjustment (mark-to- market gains) of financial instruments at fair value through profit or loss (FVTPL)		-
Reversal of previously recorded fair value gain of investment property		-
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)		-
Adjusted net income/loss		270,566,514
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief		-
Total amount of reporting relief granted during the year		-
Others		-
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)		-
Net movement of deferred tax asset not considered in the reconciling items under the previous categories		-
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable		-
Adjustment due to deviation from PFRS/GAAP - gain (loss)		-
Others		-
Total Retained Earnings, end of the year available for dividend declaration		**3,084,948,334**

**Unappropriated Retained Earnings (net of Treasury Shares)*

CONCEPCION

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