

COVER SHEET

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

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

(02) 8772 1819
Company's Telephone Number

31 December
Fiscal Year Ending
(Month & Day)

DEFINITIVE INFORMATION STATEMENT
SEC Form 20-IS
FORM TYPE

Cashier

LCU

DTU

A1997-13456
SEC Reg. No.

Central Receiving Unit

File No.

Document ID

NONE
EACH ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER
(State "NONE" if that is the case)

CONCEPCION INDUSTRIAL CORPORATION
(formerly Concepcion Airconditioning Corporation)

NOTICE OF THE ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

Notice is hereby given that **CONCEPCION INDUSTRIAL CORPORATION** (formerly Concepcion Airconditioning Corporation) (the "Corporation") will conduct its Annual Stockholders' Meeting virtually via Zoom (https://us02web.zoom.us/join/join?secret=1&url=join%2F%2Fus02web.zoom.us%2Fmeeting%2Fregister%2FtZYqde-srTgtG9fh9_ghozilPzVJ5f7lfQTV) on July 27, 2023 at 10:00 a.m., at which meeting the following matters shall be taken up:

1. Call to Order;
2. Certification of Existence of Quorum;
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 20, 2022;
4. Report of the Chairman;
5. Approval of the Audited Financial Statements as of December 31, 2022;
6. Election of Directors;
7. Appointment of External Auditors;
8. Ratification of All Actions taken by the Board and Management;
9. Approval of the Compensation of Directors;
10. Other Matters; and
11. Adjournment.

The record date for the determination of stockholders entitled to notice of, and to vote at, the said meeting is fixed at the close of business hours on June 27, 2023.

To ensure the health and well-being of our stockholders during this COVID-19 pandemic, stockholders may only attend the meeting by remote communication and/or vote *in absentia* or through the Chairman of the meeting as proxy. Stockholders who wish to participate by remote communication or vote *in absentia* or by proxy should notify the Corporate Secretary by email to cic.secretary@romulo.com from **July 6, 2023 to July 17, 2023**.

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

All stockholders who wish to vote through a proxy or *in absentia* shall submit the duly signed proxies or ballots, as the case may be, to the Office of the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com not later than July 17, 2023. The proxies and ballots submitted shall be validated on July 20, 2023 at 2:00 p.m. We are not soliciting proxies.

The Information Statement which contains a brief explanation of each item on the agenda and procedures for attending the meeting via remote communication and for casting votes *in absentia*, Management Report, and Annual Report for the year ended December 31, 2022 in SEC Form 17-A are posted on the Corporation's website at <https://cic.ph/investor-relations/#annual-stockholders> and PSE EDGE.

The meeting shall be recorded in audio and video format and copies thereof shall be retained by the Corporation.


JAYSON L. FERNANDEZ
Corporate Secretary

AGENDA DETAILS AND RATIONALE

1. Call to Order

The Chairman of the board of directors (the "Board"), Raul Joseph A. Concepcion, will formally open the meeting at approximately 10:00 a.m..

2. Certification of Existence of Quorum

The Corporate Secretary, Atty. Jayson L. Fernandez, will certify that the Notice and Agenda of the Annual Meeting of the Stockholders was published in two newspapers of general circulation (in printed and online format), for two consecutive days at least 21 days prior to the date of this Annual Stockholder's Meeting, in compliance with Section 49 of the Revised Corporation Code and SEC Memorandum Circular No.3-2020 re Notice of Regular Meetings of the Stockholders/Members, and that the Information Statement, Management Report, and Annual Report for the year ended December 31, 2022 on SEC Form 17-A were posted on PSE EDGE and on the Corporation's website in accordance with SEC Notice dated March 13, 2023. The Corporate Secretary will also certify, based on the number of shares owned by stockholders present or represented by proxy at the meeting or participating thereat via remote communication, whether a quorum exists for the valid transaction of business.

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

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

- a. Stockholders may attend the meeting remotely by viewing the livestream *via* Zoom Meeting (<https://us02web.zoom.us/join/9876543210>). The information necessary to attend the meeting shall be sent to all shareholders who are able to register as required herein.
- b. Stockholders must notify the Corporate Secretary by email to cic.secretary@romulo.com of their intention to attend the meeting by remote communication to be included in determining quorum, together with the stockholders who intend to vote *in absentia* and by proxy.
- c. Registration to attend the meeting by remote communication and/or to vote *in absentia* and by proxy shall be open from July 6, 2023 to July 17, 2023. The Registration Procedure for Voting *In Absentia* and Participation via Remote Communication are set out in Annex "D" of the Information Statement.
- d. Stockholders may cast their votes on any item in the agenda for approval through the following modes on or before July 17, 2023:
 - i. By sending their duly signed proxies appointing the Chairman of the meeting to the Corporate Secretary, together with the information and documents mentioned under item (c); or
 - ii. By voting *in absentia* through sending their duly signed ballots to the Corporate Secretary, subject to the validation procedure mentioned in Annex "D" of the Information Statement.
- e. Other Matters that are proposed to be included in the agenda by qualified minority shareholders as provided in SEC Memorandum Circular No. 14, Series of 2020, must be submitted to the Corporate Secretary by email to cic.secretary@romulo.com not later than July 17, 2023. All stockholders who have validly registered to participate in the meeting by remote communication or vote *in absentia* or through a proxy will receive an email from the Corporate Secretary informing them of the Other Matter(s) for approval by the qualified minority shareholder(s), should such matter(s) require the vote of the shareholders. Stockholders must send their votes (Yes, No, or Abstain) to the Corporate Secretary by email at cic.secretary@romulo.com no later than July 17, 2023.
- f. Stockholders may send their questions or comments on the items in the Agenda prior to or during the meeting by e-mail at investorrelations@cic.ph. The Corporation will endeavor to answer all questions submitted prior to and in the course of the meeting, or separately through the Corporation's Investor Relations Office within a reasonable period after the meeting.
- g. Each Agenda item will be shown on the screen during the live streaming as the same is taken up at the meeting.
- h. All the items in the Agenda for the approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the issued and outstanding voting stock present at the meeting.
- i. Election of directors will be by plurality of votes and every stockholder will be entitled to cumulate his votes.

- j. The Corporate Secretary and a committee organized by the Board will tabulate all votes received and an independent third party will validate the results.
- k. The meeting proceedings shall be recorded in audio and video format and copies thereof shall be retained by the Corporation.

3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 20, 2022

The minutes of the meeting held on July 20, 2022 are available at the Corporation's website (<https://cic.ph/investor-relations/#annual-stockholders>). Copies of the minutes will also be made available to the stockholders along with the Information Statement.

4. Report of the Chairman

The Report summarizes significant business transactions undertaken by management and achievements for the fiscal year 2022.

5. Approval of the Audited Financial Statements

The Corporation's Audited Financial Statements, highlights of which are explained in the Chairman's Report and in the Information Statement, will be presented to the stockholders for approval. Copies of the 2022 Audited Financial Statements, previously approved by the Board, were also submitted to the Securities and Exchange Commission and the Bureau of Internal Revenue.

6. Election of the members of the Board of Directors

Copies of the *curriculum vitae* and profiles of the candidates to the Board, including the nominees for Independent Directors, received and screened by the Corporate Governance and Nominations Committee of the Board are provided in the Information Statement for the examination of the stockholders. For this year, the candidates to the Board are the following:

- i. Raul Joseph A. Concepcion
- ii. Renna C. Hechanova-Angeles
- iii. Raul Anthony A. Concepcion
- iv. Jose Ma. A. Concepcion III
- v. Ma. Victoria Herminia C. Young
- vi. Raissa C. Hechanova-Posadas
- vii. Cesar A. Buenaventura (Independent Director)
- viii. Luis Y. Benitez, Jr. (Independent Director)
- ix. Justo A. Ortiz (Independent Director)

Pursuant to SEC regulations, an independent director who has served for more than 9 consecutive years reckoned from 2012 can serve as such based on meritorious justifications and with the approval of the stockholders. Mr. Cesar A. Buenaventura has served as Independent Director since 2013, and the Board has resolved to retain him based on meritorious justifications, subject to the approval of the stockholders (Please refer to Item 5 (a) of the Information Statement). The stockholders vote in his favor is deemed an approval of the meritorious justifications

7. Appointment of External Auditor

The Audit and Risk Oversight Committee of the Board will endorse to the stockholders the election of Isla Lipana & Co. as the Corporation's auditor for year 2023-2024 as well as its proposed remuneration. The external auditor conducts an independent verification of the Corporation's financial statements and provides an objective assurance on the accuracy of its financial statements.

The profile of Isla Lipana & Co. is provided in the Information Statement.

8. Ratification of Actions Taken by the Board of Directors and Officers

The acts and resolutions of the Board are reflected in the minutes of meetings, and the material aspects of which are disclosed to the SEC and the Philippine Stock Exchange ("PSE") and posted on the company website (<https://cic.ph/investor-relations/#annual-stockholders>). These acts are crucial to the successful and effective performance of the Corporation.

The stockholders will be requested to ratify all acts of the Board and Management since the last annual stockholders' meeting on July 20, 2022.

9. Approval of Compensation of Directors

The approval of the stockholders representing at least a majority of the outstanding capital stock will be sought for the compensation of the directors of the Company consisting of: (1) compensation for services (Incentive) and (2) per diem allowance for attendance at board, committee, and non-executive directors' meetings. The compensation of directors was approved for endorsement to the stockholders on January 31, 2023 by the Board of Directors, acting upon the endorsement of the Corporate Governance, Nominations and Remuneration Committee.

10. Other Matters

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

11. Adjournment

After all business has been considered and resolved, the Chairman will declare the meeting adjourned.

PROXY

The undersigned stockholder of **CONCEPCION INDUSTRIAL CORPORATION** (the "Corporation") hereby appoints the Chairman of the meeting as *attorney-in-fact* to represent and vote all shares registered in its/his/her name at the annual stockholders' meeting of the Corporation on July 27, 2023 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 20, 2022

For Against Abstain

2. Approval of the Report of the Chairman

For Against Abstain

3. Approval of the Audited Financial Statements as of December 31, 2022

For Against Abstain

4. Election of the members of the Board of Directors

	Yes	No	Abstain
Raul Joseph A. Concepcion	_____	_____	_____
Renna C. Hechanova-Angeles	_____	_____	_____
Raul Anthony A. Concepcion	_____	_____	_____
Jose Ma. A. Concepcion III	_____	_____	_____
Ma. Victoria Herminia C. Young	_____	_____	_____
Raissa C. Hechanova-Posadas	_____	_____	_____
Cesar A. Buenaventura (Independent Director)	_____	_____	_____
Luis Y. Benitez, Jr. (Independent Director)	_____	_____	_____
Justo A. Ortiz (Independent Director)	_____	_____	_____

5. Appointment of External Auditor

For Against Abstain

6. Ratification of Actions taken by the Board of Directors and Management

For Against Abstain

7. Approval of the Compensation of Directors

For Against Abstain

8. The proxy named above is authorized to vote upon such other matters as may properly come before the meeting

For Against Abstain

Printed Name of Stockholder _____ **Date:** _____

Signature of Stockholder/Authorized Signatory _____

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **JULY 17, 2023 AT 5:00 P.M.** FOR CORPORATE STOCKHOLDERS, PLEASE ATTACH TO THIS PROXY FORM THE SECRETARY'S CERTIFICATE ON THE AUTHORITY OF THE SIGNATORY TO APPOINT THE PROXY AND SIGN THIS FORM.

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

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

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

[] Preliminary Information Statement

[] Definitive Information Statement

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

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

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

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

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

7. Registrant's telephone number, including area code: +632 87721819

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

Date: **July 27, 2023**

Time: **10:00 am**

Place: **Virtually via Zoom (https://us02web.zoom.us/meeting/register/tZYqde-srTgtG9fH9_ghozilPzVJ5f7lfQTV).
The Chairman will conduct the online meeting at Km 20, East Service Road, Alabang, Muntinlupa City Metro Manila, pursuant to Section 15 of SEC Memorandum Circular No. 6, Series of 2020 in relation to Section 50 of the Revised Corporation Code.**

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

The Information Statement may be accessed at the Corporation's website (<https://cic.ph/investor-relations/#annual-stockholders>) beginning on July 6, 2023.

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	397,912,491

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

Yes No

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

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

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

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The Annual Stockholders' Meeting of Concepcion Industrial Corporation (formerly Concepcion Airconditioning Corporation) (the "Company") will be held virtually via Zoom (<https://us02web.zoom.us/join/91234567890>) on July 27, 2023 at 10:00 a.m.

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

The security holders shall be given access to the Information Statement at the Company's website (<https://cic.ph/investor-relations/#annual-stockholders>) beginning July 6, 2023.

Item 2. Dissenters' Right of Appraisal

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

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

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

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

There are no matters or proposed corporate actions included in the agenda for the Annual Stockholders' Meeting, which may give rise to a possible exercise by shareholders of their appraisal rights.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No current director or officer of the Company or nominee for election or director of the Company, nor any associate of such persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

No director has informed the Company in writing that he/she intends to oppose any action to be taken by the Company at the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (a) Pursuant to a resolution of the Board of Directors at a regular meeting held on April 26, 2023, all stockholders at the close of business hours on June 27, 2023 shall be entitled to notice and to vote at the Annual Stockholders' Meeting scheduled on July 27, 2023. The stockholders will vote on matters scheduled to be taken up at the Annual Stockholders' Meeting with each share being entitled to cast one (1) vote.
- (b) For the election of directors, stockholders entitled to vote may vote such number of shares for as many persons as there are directors to be elected, or may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of their shares shall equal or may distribute them on the same principle among as many candidates as they shall see fit.
- (c) Pursuant to Article II, Section 7 of the Company's By-Laws, a stockholder may vote in person or by proxy.
- (d) Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the Company's voting securities as of June 14, 2023 were as follows:

Title of Class	Name and Address of Record / Beneficial Owner and	Relationship with Issuer	Citizenship	Number of Shares Held	% to Total (Issued and Outstanding)
Common	Foresight Realty & Development Corporation (Formerly Concepcion Holdings, Inc.) Sen. Gil Puyat Ave. Extension, Makati City	Stockholder	Filipino	92,580,290 ¹	22.73%
Common	Horizons Realty, Inc. Pioneer cor. Sheridan St., Mandaluyong City	Stockholder	Filipino	90,045,026 ²	22.00%
Common	Hy-Land Realty and Development Corporation 308 Sen. Gil J. Puyat Ave., Makati City	Stockholder	Filipino	89,387,797 ³	21.95%

The following are the representatives and authorized to cast votes for the three major shareholders to the Annual Stockholders' Meeting: Raul Joseph A. Concepcion (Foresight Realty & Development Corporation), Jose Ma. A. Concepcion (Horizons Realty Inc.), and Rafael C. Hechanova, Jr. (Hy-Land Realty and Development Corporation).

Security Ownership of Directors and Management

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned by the directors and executive officers of the Company as of June 14, 2023:

Title of Class	Name of Beneficial Owner	Position	Citizenship	Number of Shares	Nature of Ownership	% of Class
Common	Raul Joseph A. Concepcion	Chairman/CEO	Filipino	1,024,160	Direct & Indirect	0.25%
Common	Renna C. Hechanova-Angeles	Vice Chairman/Treasurer	Filipino	3,227,816	Direct	0.79%
Common	Raul Anthony A. Concepcion	Director	Filipino	2, 230,952	Direct & Indirect	0.55%
Common	Ma. Victoria Herminia C. Young	Director	Filipino	1,149,073	Direct & Indirect	0.28%

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

² Including two (2) common shares held by its nominees.

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

Common	Jose Ma. A. Concepcion	Director	Filipino	614,056	Direct & Indirect	0.15%
Common	Raissa C. Hechanova-Posadas	Director	Filipino	2,641,630	Direct	0.65%
Common	Justo A. Ortiz	Director	Filipino	3,500	Direct	0%
Common	Luis Y. Benitez, Jr.	Director	Filipino	1	Direct	0%
Common	Cesar A. Buenaventura	Director	Filipino	3	Direct	0%
Common	Rafael C. Hechanova, Jr.	EVP for Business Development	Filipino	4,207,614	Direct & Indirect	1.03%
Common	Ma. Victoria A. Betita	Chief Strategy and Transformation Officer	Filipino	38,978	Direct	0.01%
Common	Rajan Komarasu	Chief Finance and Operating Officer	Singaporean	51,800	Direct	0.01%
Common	Harold T. Pernikar	President, CDI	American	1,560	Direct	0%
Common	Alexander Villanueva	General Manager, Integrated Logistics	Filipino	12,500	Direct	0%
Common	Phillip F. Trapaga	Managing Director, CCAC	Filipino	12,120	Direct	0%

(e) Voting Trust Holders of 5% or more

There are no voting trusts or similar agreements covering the shares of stocks of the Company.

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

The Company is not aware of any transactions, which may have resulted in a change of control in the Company since the beginning of the last fiscal year.

Item 5. **Directors and Executive Officers**

The members of the Board of Directors and executive officers of the Company are:

Name and Position	Age	Citizenship	Term of Office as a Director / Officer	Period Served As A Director / Officer	Directorship Held In Other Philippine Companies
Raul Joseph A. Concepcion	61	Filipino	1 year	Director and Officer since 1997	Foresight Realty and Development Corporation, Concepcion Durables, Inc., Concepcion Midea, Inc., Concepcion Otis Philippines, Inc., Concepcion Business Services, Inc., Cortex Technologies Corporation, Alstra Incorporated, Teko Solutions Asia, Inc.
Chairman and President					

Renna C. Hechanova-Angeles	67	Filipino	1 year	Director and Officer since 1997	Hy-land Realty and Development Corporation, Concepcion Durables, Inc. Concepcion Business Services, Inc.
Vice-chairman and Treasurer					
Raul Anthony A. Concepcion	53	Filipino	1 year	Since July 5, 2013	Foresight Realty and Development Corporation, Concepcion Durables, Inc.
Director					
Jose Ma. A. Concepcion III	65	Filipino	1 year	Since July 5, 2013	Horizons Realty, Inc. RFM Corporation
Director					
Ma. Victoria Herminia C. Young	63	Filipino	1 year	Since July 5, 2013	Horizons Realty, Inc., RFM Corporation Concepcion Durables, Inc.
Director					
Raissa C. Hechanova-Posadas	63	Filipino	1 year	Since July 5, 2013	Hy-land Realty and Development Corporation, Knowledge Channel Foundation, Inc.
Director					
Cesar A. Buenaventura	93	Filipino	1 year	Since November 27, 2013	Buenaventura Echaz & Partners, Inc. Systems Philippines, Inc. DM Consunji, Inc. DMCI Holdings, Inc. International Container Terminal Services, Inc. iPeople, Inc. Mitsubishi Hitachi Powers Philippines, Inc. Petroenergy Resources Corp. Pilipinas Shell Petroleum Corporation
Independent Director					
Luis Y. Benitez, Jr.	76	Filipino	9 months	Since October 26, 2022	Insular Life Assurance Co. Ltd, CTBC Bank Philippines, Insular Healthcare, Inc. Philfirst Insurance Corporation Sta. Clara Construction Corp.
Independent Director					
Justo A. Ortiz	65	Filipino	1 year	Since 6 November 2020	Union Bank of the Philippines, Philippine Payments Management, Inc., Fintech Philippines Association, Inc., Distributed Ledger Technology Association of the Philippines, Inc., The Insular Life Assurance Co., Ltd, and Philippine Trade Foundation, Inc. One Food Group, Aboitiz Equity Ventures, Pilmico Foods Corporation, Union Digital Bank,
Independent Director					

					Management Association of the Philippines
Rafael C. Hechanova, Jr.	64	Filipino	1 year	Since 30 December 1997	Hy-land Realty and Development Corporation, Concepcion Durables, Inc., Concepcion Midea, Inc., Cortex Technologies Corp., Concepcion Business Services, Inc., Alstra Incorporated, Teko Solutions Asia, Inc.
Chief Communications Officer Executive Vice President, Business Development and Corporate Marketing, CCAC					
Maria Victoria A. Betita	55	Filipino	1 year	Since 14 November 2011	Alstra Incorporated, Concepcion Otis Philippines, Inc.
Chief Strategy and Transformation Officer					
Rajan Komarasu	57	Singaporean	1 year	Since 11 March 2013	Alstra Incorporated Concepcion Otis Philippines, Inc., Tenex Services, Inc., Concepcion Business Services, Inc., Concepcion Midea, Inc. Concepcion Durables, Inc. Cortex Technologies Corporation
Chief Finance and Operating Officer					
Harold T. Pernikar, Jr.	46	American	1 year	Since 18 February 2013	Concepcion Durables, Inc.,
President, CDI					
Merril Yu	66	Filipino	1 year	Since 29 April 2021	None
Chief Experience Officer, CCAC					
Phillip F. Trapaga	59	Filipino	1 year	Since 15 July 2013	Concepcion Midea, Inc.
Managing Director, CCAC Chairman of the Board and President of CMI					
Anna M. Alejandro	42	Filipino	1 year	Since 25 May 2022	None
General Manager, Concepcion Midea , Inc..					
Alexander T. Villanueva	51	Filipino	1 year	Since 15 May 2006	Concepcion Durables, Inc.
General Manager, Integrated Logistics Services, CCAC and Concepcion Durables, Inc.					
Michael Hansson	54	Filipino	1 year	Since 2 January 2015	Cortex Technologies Corp.
General Manage, Smart Technology, CCAC					
Michael Eric I. Sarmiento	53	Filipino	1 year	Since 8 March 2020	Concepcion Business Services, Inc.

General Manager, Shared Services, CCAC					
Omar C. Taccad	54	Filipino	1 year	Since 9 July 2018	Cortex Technologies Corporation
Chief Compliance Officer and Chief Legal Officer					
Ma. Cristina M. Lleva	37	Filipino	5 months	Since 21 February 2023	None
Head of Investor Relations					
Jayson L. Fernandez	53	Filipino	1 year	Since 18 July 2013	None
Corporate Secretary					
Roxanne Viel C. Santos Cua	38	Filipino	1 year	Since 15 July 2020	ARLA FOODS CORPORATION (formerly Dofo Cheese, Inc.) Moving Up Services, Inc. Alpha Caliber Holdings, Inc. Alpha Caliber Holdings, Inc. Play2win Corporation (Formerly IGT Golden Gaming Corp.) Magnet Lucky Gaming Corp. Top Gaming Solutions Corp. Micronet Gaming Corporation Fortune Philippines Gaming Corporation Lucky Alpha Gaming Corporation Top Lucky Trading Corp. EFORCE SECURITY COMPANY, INC.
Assistant Corporate Secretary					

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

The following are the incumbent and/or incoming members of the committees of the Board of Directors, who will be nominated for re-appointment/appointed in the Organizational Meeting of the Board of Directors, following the Annual Meeting of the Stockholders:

Executive Committee

Raul Joseph A. Concepcion (Chairman)
 Renna C. Hechanova-Angeles
 Raul Anthony A. Concepcion

Audit and Risk Oversight Committee

Luis Y. Benitez, Jr. (Chairman; Independent Director)
 Cesar A. Buenaventura (Independent Director)
 Justo A. Ortiz (Independent Director)
 Raissa C. Hechanova-Posadas (Non-Executive)
 Ma. Victoria Herminia C. Young (Non-Executive)

Corporate Governance, Nominations and Remuneration Committee

Cesar A. Buenaventura (Chairman; Independent Director)
Raul Joseph Concepcion
Renna C. Hechanova-Angeles
Justo A. Ortiz (Independent Director)
Luis Y. Benitez, Jr. (Independent Director)

Strategy and Investments Committee

Justo A Ortiz (Chairman; Independent Director)
Raissa C. Hechanova-Posadas (Non-Executive)
Maria Victoria Herminia C. Young (Non-Executive)

(a) Directors, Independent Directors, and Executive Officers

Process and Criteria for Selection of Nominees for Directors

The Board of Directors set June 15, 2023 as the deadline for the submission of nominations for election to the Board of Directors. The Corporate Governance and Nominations Committee screens the nominees for election to the Board of Directors in accordance with the Company's Revised Manual on Corporate Governance. The Corporate Governance and Nominations Committee will assess the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board. In the case of the independent directors, the Corporate Governance and Nominations Committee will review their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Revised Manual of Corporate Governance, By-Laws, the Securities Regulation Code ("SRC"), and the SRC Implementing Rules and Regulation

Nominees for Election at Annual Stockholders' Meeting on July 27, 2023.

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

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

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

The name of the person who recommended the nomination of the foregoing candidates for independent directors is Foresight Realty & Development, as represented by its President, Mrs. Carmencita A. Concepcion ("Mrs. Concepcion"). None of the candidates for independent directors of the Corporation are related to Foresight Realty & Development Corporation and Mrs. Concepcion whether by affinity or consanguinity up to the fourth civil degree.

Mr. Cesar A. Buenaventura will be serving his 10th year as independent director. The Company is aware that under SEC MC No. 4, Series of 2017 an independent director who has served for more than 9 years may be retained provided there are meritorious justifications for the director's retention and the approval of shareholders is secured during the annual shareholders meeting.

The Board resolved, and the Corporate Governance, Nominations and Remuneration Committee on June 27, 2023 affirmed, the following meritorious grounds as justification to extend the term of Mr. Cesar A. Buenaventura as independent director:

- a) He has been an essential member of the Board, serving at the same time as the Lead Independent Director as well as Chairman of the Corporate Governance & Nominations and Remuneration & Compensation Committees of the Company;
- b) He is highly qualified and well respected in the business community and sits as independent director in the Boards of other companies;
- c) He has performed his role as independent director with dedication and commitment;

- d) His insights, wisdom, and knowledge of the Company gained from his experience over the years will help the Company navigate new challenges in the years ahead;
- e) His retention will also preserve a well-balanced Board composition in terms of tenure. The two other nominees for independent Directors, were first elected as Directors in 2019 and 2020, respectively, and the extension of Mr. Buenaventura's term as independent director will ensure that the Board will have fresh perspective from relatively new members while maintaining a seasoned view of the business; and
- f) The length of time that he has sat on the Board as independent director has not and will not impair his ability to act independently and objectively.

(b) Significant Employees

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

(c) Family Relationships

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

(d) Involvement in Certain Legal Proceedings

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

(e) Certain Relationships and Related Transactions

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

	2022		2021		2020	
	Transactions*	Outstanding receivable (payable)	Transactions*	Outstanding receivable (payable)	Transactions*	Outstanding receivable (payable)
Shareholders						
Rent and utilities	62,495	(7,597)	56,933	-	60,666	(2)
Lease of warehouse	42,589	-	36,047	-	42,129	-
Advance Rental	-	-	1,683	-	2,730	-
Security Deposit	-	-	1,493	-	2,671	-
Dividend declaration	-	-	401,955	-	282,253	-
Reimbursements from shareholders	368	613	594	866	303	303
Reimbursements to shareholders	1,157	(1,157)	1,157	-	-	(1,157)
Associate						
Administrative services	24,774	4,542	22,180	2,058	21,454	2,728
Transfer of employees	-	-	-	-	110	(110)
Transfer of employees	7,961	7,844	2,763	(2,763)	2,537	2,687
Purchase of goods, net of return	2,637	(2,000)	16,280	(27)	17,236	(1,877)
Sale of goods	1,645	1,087	8,143	4,937	2,773	1,053
Product loan	-	-	94	(94)	270	-
Advance collections	-	-	1,771	(1,771)	-	-
Transaction fees	2,769	4	3,036	-	1,030	1,030
Reimbursements from associates	127,181	37,677	173,338	15,198	164,981	22,617
Reimbursement to associates	4,078	(6,680)	63,138	(28,265)	1,225	(4,736)
Entities under common control						
Rent and utilities	35,607	(5,746)	34,119	-	34,119	-
Entities with common shareholders						
Commission income	11,038	-	6,650	-	10,558	3,731
Dividend declaration	241,300	-	266,564	-	341,680	-
Purchases, net purchase returns	1,727,306	(258,196)	165,020	(90,434)	1,973,683	(514,258)
Collections (Payments) in behalf of a related party	-	(3,672)	(136)	(4,113)	-	(4,331)

Reimbursements	3,137	(593)	-	-	-	-
Royalty/Technical fee	53,849	(9,695)	51,895	(2,678)	42,697	(29,891)
Key management personnel						
Short-term						
Directors' fees	1,918	(2,952)	3,368	(4,329)	9,412	(9,412)
Salaries and wages	389,093	(78,671)	361,865	(82,658)	435,561	(60,772)
Long-term						
Retirement benefit	18,154	(197,744)	57,841	(179,616)	19,034	(122,007)
Retirement plan						
Contributions to the retirement fund	1,532	-	17,412	-	854	-
Claims from the retirement fund	-	3,555	-	-	25,034	-

*amount of transactions for 2022 – net of VAT (2021 and 2020 – gross amount less creditable/expanded withholding tax (CWT/EWT))

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

None of the Company's directors have entered into self-dealing transactions with or involving the Company in 2022.

(f) Resignation of Directors

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

No director has informed the Company in writing that he/she intends to oppose any action to be taken by the Company at the Annual Stockholder's Meeting.

Item 6. Compensation of Directors/Executive Officers

The following are the Company's CEO and four most highly compensated executive officers for the year ended December 31, 2022:

Name	Position
Raul Joseph A. Concepcion	Chief Executive Officer
Raul Anthony A. Concepcion	Vice Chairman of CIC
Renna C. Hechanova-Angeles	Vice Chairman of CIC
Rajan Komarasu	Chief Finance and Operating Officer
Ma. Victoria A. Betita	Chief Strategy and Transformation Officer

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the four most highly compensated executive officers of the Company in 2020, 2021, 2022 and 2023 (forecast):

	Year	Total ⁽¹⁾
		(Amounts are in millions)
CEO and the most highly compensated officers named above		
.....	2020	153.0
	2021	106.5
	2022	111.0
	2023 (est.)	115.1
Aggregate compensation paid to all officers and Directors as a group		
Unnamed		
.....	2020	249.3
	2021	175.6
	2022	186.4
	2023 (est.)	216.4

<u>Year</u>	<u>Total (1)</u>
	(Amounts are in millions)

Note:

(1) includes salary, bonuses and other income

Each Director is entitled to receive *per diem* allowance of Php15,000.00 for attending Board meetings and Php20,000.00 for attending Committee meetings. In addition, the Chairman of the Audit & Risk Oversight Committee receives a fee of Php25,000.00 per month. The Directors are also entitled to a bonus equivalent to 2% of prior year's Profit After Tax After Minority Interest, divided equally among all members of the Board of Directors.

Total compensation of each member of the Company's Board of Directors in their capacity as directors of the Company in the year 2022, is as follows:

Director	BOD Meetings	Audit Risk	BOD Meetings	Governance & Nomination	Strategy & Investment	Incentive	Grand Total
ALFREDO ESPINOSA PASCUAL	150,000.00		30,000.00	40,000.00		366,112.07	586,112.07
CESAR BUENAVENTURA		80,000.00	90,000.00	20,000.00		366,112.07	556,112.07
JOSE MA. CONCEPCION III			30,000.00			366,112.07	396,112.07
JUSTO ORTIZ		80,000.00	60,000.00	20,000.00	40,000.00	366,112.07	566,112.07
LUIS BENITEZ JR.		50,000.00	30,000.00				80,000.00
MA. VICTORIA HERMINIA YOUNG		60,000.00	90,000.00		40,000.00	366,112.07	556,112.07
RAISSA HECHANOVA-POSADAS		80,000.00	90,000.00		40,000.00	366,112.07	576,112.07
RAUL ANTHONY CONCEPCION			90,000.00			366,112.07	456,112.07
RENNA HECHANOVA-ANGELES			90,000.00	40,000.00		366,112.07	496,112.07
Grand Total	150,000.00	350,000.00	600,000.00	120,000.00	120,000.00	2,928,896.53	4,268,896.53

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board of Directors for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments from the last completed fiscal year up to the present.

Other Arrangements

There are no other standard arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2022 for any service provided as a director.

Employment Contracts

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

Warrants and Options Outstanding

The Company has no outstanding stock warrants or stock options.

Item 7. Independent Public Accountants

Isla Lipana & Co. is the Company's external auditor for calendar year 2022. Representatives thereof are expected to be present at the Annual Stockholders' Meeting, and they will have the opportunity to make a statement if they so desire and respond to appropriate questions, if any. The engagement of the Company's external auditor is in compliance with paragraph (3)(b)(iv) of the Securities Regulation Code - Rule 68, as amended, which requires independent auditors or in

case of an audit firm, the signing partner, to be rotated after every five years of engagement, with a two-year cooling-off period to be observed in the re-engagement of the signing partner or independent auditor.

The Audit and Risk Oversight Committee of the Board will endorse to the stockholders the election of Isla Lipana & Co. as the Corporation's auditor for year 2023-2024.

Changes and Disagreements with Accountant on Accounting and Financial Disclosures

There were no changes nor disagreements with accountants on accounting and financial disclosures.

External Audit Fees and Services

The aggregate fees billed in 2020, 2021 and 2022 for each of the professional services rendered by the Group's external auditors are summarized as follows:

NATURE OF AUDIT (in '000 Php)	FIRM	CIC	CCAC	CDI	COPI	CMI	CBSI	CTC	TEKO	ALSTRA	TENEX	TOTAL
2022												
External Audit	PWC	726	887	811	700	231	420	170	75	10	80	4,110
Impairment of Goodwill and Valuation of Intangible assets report	P&A	594	-	-	-	-	-	-	-	-	-	594
Purchase Price Allocation for the acquisition of shares in Tenex	P&A	150	-	-	-	-	-	-	-	-	-	150
Actuarial Valuation Report	EMZ	14	-	25	25	20	28	14	17	-	20	142
Tax Consultancy	SGV	528	130	1,740	950	65	-	41	28	28	-	3,510
	ROMULO	240	120	1,249	120	120	120	-	-	-	-	1,969
	IGD	-	-	-	-	-	1,608	-	-	-	-	1,608
	VILLAR TADEJA	-	-	-	-	440	-	-	-	-	-	440
TOTAL		2,251	1,137	3,825	1,795	877	2,176	224	120	38	100	12,542
2021												
External Audit	PWC	777	884	772	720	450	497	180	75	104	40	4,499
Impairment of Goodwill and Valuation of Intangible assets report	P&A	332	-	-	-	-	-	-	-	-	-	332
Actuarial Valuation Report	EMZ	14	45	162	25	18	20	18	30	-	-	332
Tax Consultancy	SGV	943	1,916	-	-	-	-	55	33	33	-	2,980
	ROMULO	240	110	70	-	-	120	-	-	-	-	540
	IGD	-	-	-	-	-	1,458	-	-	-	-	1,458
TOTAL		2,306	2,955	1,004	745	468	2,095	253	138	137	40	10,141
2020												
External Audit	PWC	700	850	735	690	460	450	200	65	10	40	4,200
Impairment of Goodwill and Valuation of Intangible assets report	P&A	640	-	-	-	-	-	-	-	-	-	640
Actuarial Valuation Report	EMZ	14	45	65	25	18	20	18	30	-	-	235
Tax Consultancy	SGV	438	-	-	800	-	-	-	-	-	-	1,238
	ROMULO	240	120	120	-	120	120	-	-	-	-	720
	IGD	-	-	-	-	-	458	-	-	-	-	1,458
TOTAL		2,032	1,015	920	1,515	598	1,048	218	95	10	40	7,491

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

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

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

Item 8. **Compensation Plans**

One of the matters that will be presented for the approval of the stockholders is the compensation of directors. Pursuant to Article III Section 10 of the Company's By-Laws, by resolution of the Board, each director shall receive a reasonable per diem allowance for their attendance at each meeting of the Board. In addition, an amount equivalent to not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year may be allocated and distributed among the directors of the Corporation, subject to the approval by the stockholders.

On January 31, 2023, the Board of Directors, acting upon the endorsement of the Corporate Governance, Nominations and Remuneration Committee, approved the following compensation structure for directors:

Type of Compensation	Amount
Per Diem for Board of Directors' Meeting	Php 50,000.00
Per Diem for Committee Meeting	Php 50,000.00 Php75,000.00 for the Chairman of the Committee
Additional Fee for Chairman of the Audit & Risk Oversight Committee	Php 50,000.00/month
Incentive	Php300,000.00 or one and a half percent (1.5%) of prior year's Profit After Tax After Minority Interest, divided equally among all the members of the Board of Directors, whichever is higher

C. **ISSUANCE AND EXCHANGE OF SECURITIES**

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

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

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

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

Item 11. **Financial and Other Information**

The audited financial statements as of December 31, 2022 and other data related to the Company's financial information are attached hereto as **Annex "C"**.

For the Management's Discussion and Analysis and Changes in and Disagreements with Accountants on Accounting and Financial Disclosure, please refer to the Management Report attached as **Annex "B"** hereof.

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

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

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

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

Item 14. **Restatement of Accounts**

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

D. **OTHER MATTERS**

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

(a) **Financial Statements and Management Report**

The management shall report on the significant business transactions undertaken by management and achievements for the fiscal year 2022. Attached is the Management Report and the Audited Financial Statements for the period ending December 31, 2022, which is **Annexes "B" and "C"** hereof.

The Board of Directors recommends that shareholders note and approve the Management Report together with the financial statements for the period ending 31 December 2022.

(b) Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since the last annual stockholders' meeting up to the Date of the Annual Stockholders' Meeting

As a matter of corporate policy, the management of the Company seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and management since July 20, 2022, as follows: (1) election of the officers of the Company, (2) appointment of the members of the Board's committees, (3) appointment of authorized representatives for submission and processing of forms with the Bureau of Internal Revenue; (4) change in security managers for electronic/internet banking facilities; (5) authorization to obtain Group Life Insurance Policy from the Manufacturer's Life Insurance Co., (Phils.), Inc., (6) change in authorized signatories with various banking and financial institutions; (7) designation of authorized signatories for short term transactions; (8) authorization to apply for construction permit to construct a concrete fence in Bajada, Davao City; (9) approval of the amendments to the Charter of the Strategy and Investments Committee; (10) authorization to renew credit facilities with the Bank of the Philippine Islands; (11) ratification of Audit and Risk Oversight Committee's approval of the Company's audited financial statements as of December 31, 2021; (12) appointment of Isla Lipana & Co. (Pricewaterhouse Coopers Philippines) as external auditors for 2022; (13) setting of Annual Stockholder's Meeting on July 20, 2022; (14) authorizing the holding of the 2022 Annual Stockholders Meeting virtually and the attendance and voting shall be exercised in person or through a proxy by way of remote communication or in absentia; and (15) declaration of cash dividends.

These are reflected on the minutes of the meetings of the Board of Directors, regular reports and disclosures to the SEC and to the PSE, and in Annexes "B" and "C" hereof.

Item 16. Matters Not required to be Submitted

All matters or actions that will require the vote of the security holders will be submitted at the meeting.

Item 17. Amendment of Charter, By-laws or Other Documents

There are no matters or actions to be taken up in the meeting with respect to the amendment of the Company's Articles of Incorporation, By-laws, and other documents.

Item 18. Other Proposed Actions

(a) Approval of the Minutes of the Annual Meeting of the Stockholders held on July 20, 2022

The Minutes of the Stockholders' Meeting of the Company held on July 20, 2022 (the "Minutes") will be presented for approval of the Stockholders in the Annual Stockholders' Meeting. Such action on the part of the Stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholder approval and action on those items had already been obtained in such meeting.

The Minutes and related records are available for inspection by any Stockholder at any reasonable hour during business days. In addition, copies of the Minutes will be available for review by the Stockholders at the Company's website.

(b) Election of Directors

Election of Directors for the ensuing calendar year. The nominees include an independent director whose term is proposed to be extended beyond nine (9) years on the basis of the following meritorious grounds as determined by the Board and affirmed by the Corporate Governance, Nominations and Remuneration Committee during its meeting on June 27, 2023:

- a) He has been an essential member of the Board, serving at the same time as the Lead Independent Director, as well as Chairman of the Corporate Governance & Nominations and Remuneration & Compensation Committees of the Company;
- b) He is highly qualified and well respected in the business community and sits as independent director in the Boards of other companies;
- c) He has performed his role as independent director with dedication and commitment;
- d) His insights, wisdom, and knowledge of the Company gained from his experience over the years will help the Company navigate new challenges in the years ahead;
- e) His retention will also preserve a well-balanced Board composition in terms of tenure. The two other nominees for independent Directors, were first elected as Directors in 2019 and 2020, respectively, and the extension of said independent director's term will ensure that the Board will have fresh perspective from relatively new members while maintaining a seasoned view of the business; and
- f) The length of time that he has sat on the Board as independent director has not and will not impair his ability to act independently and objectively.

(c) Appointment of the Corporation's External Auditor

The approval of the appointment of Isla Lipana & Co. as the Company's external auditor for the current year will be one of the matters to be undertaken during the Annual Stockholders' Meeting.

(d) Approval of the 2022 Audited Financial Statements and the Management Report

The approval of the 2022 audited financial statements of the Company as well as the accompanying Management Report will be one of the matters to be undertaken during the Annual Stockholders' Meeting.

Item 19. Voting Procedures

(a) Vote Requirement

The following matters require the following votes:

Subject Matter	Votes Required
Appointment of the Company's external auditor	Majority of the votes cast
Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management	Majority of the votes cast
Approval of the Minutes of the Annual Meeting of the Stockholders held on July 20, 2022	Majority of the votes cast
Approval of the 2022 Financial Statements and Management Report	Majority of the votes cast
Election of Directors	The top nine (9) nominees with the most number of votes cast are elected

(b) Method of Voting

In all items for approval, each voting share of stock entitles its registered owner as of the June 27, 2023 to one vote. In light of the COVID-19 pandemic (as discussed in Item 20), stockholders will only be allowed to vote by appointing the Chairman of the meeting as their proxy or electronically *in absentia*.

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

Proxies shall be in writing, signed and filed, by the stockholders, in the form provided in this Information Statement, and shall be received by the Corporate Secretary on or before July 17, 2023.

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

All votes will be counted and tabulated by the Corporate Secretary and a committee organized by the Board of Directors, and the results will be validated by an independent third party.

Item 20. Participation of Stockholders by Remote Communication

In support of the efforts to contain the outbreak of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers, and employees, the Company will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication. The livestream of the meeting shall be viewable *via* Zoom.

In order for the Company to properly conduct validation procedures, stockholders who have not sent their proxies or registered on the voting *in absentia* website who wish to participate via remote communication must notify the Company by email to **cic.secretary@romulo.com** on or before July 17, 2023.

Please refer to Annex "D" for the detailed guidelines for participation via remote communication and the procedures for registration and casting votes *in absentia*.

SIGNATURE

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on this 30th day of June 2023.

CONCEPCION INDUSTRIAL CORPORATION

By:


JAYSON L. FERNANDEZ
Corporate Secretary

ANNEX A

THE CURRENT BOARD OF DIRECTORS OF THE COMPANY FOR THE 2022-2023 TERM

Name	Position	Date Elected To The Board	Citizenship	Age
Raul Joseph A. Concepcion	Chairman	July 20, 2022	Filipino	61
Renna C. Hechanova-Angeles	Vice-Chairman & Treasurer	July 20, 2022	Filipino	67
Raul Anthony A. Concepcion	Vice-Chairman	July 20, 2022	Filipino	53
Jose Ma. A. Concepcion III	Director	July 20, 2022	Filipino	65
Ma. Victoria Herminia C. Young	Director	July 20, 2022	Filipino	63
Raissa C. Hechanova-Posadas	Director	July 20, 2022	Filipino	63
Cesar A. Buenaventura	Independent Director	July 20, 2022	Filipino	93
Justo A. Ortiz	Independent Director	July 20, 2022	Filipino	65
Luis Y. Benitez, Jr.	Independent Director	October 26, 2022	Filipino	76

Raul Joseph A. Concepcion, 61, is the Chairman and Chief Executive Officer of the Company since 2008. He is also the president of CCAC and of Concepcion Industries, Inc. (“CII”) as well as the chairman emeritus of the Philippine Appliance Industry Association (“PAIA”). He holds a business administration degree from Simon Fraser University.

Renna C. Hechanova-Angeles, 67, was elected Vice Chairman of the Board and the Treasurer of the Company on July 18, 2013. She is concurrently the vice-chairman and treasurer of CDI, director of CCAC, corporate secretary of Contel Communications, director of the joint venture company between Ayala Land, Inc. and CII, corporate secretary of Republic Commodities Corporation (“RCC”), and executive vice president and corporate secretary of CII. She is also the corporate secretary of Hy-land Realty and Development Corporation. Ms. Angeles holds a B.S. Commerce, Major in Management degree from the Assumption College.

Raul Anthony A. Concepcion, 53, was first elected to the Board of the Company on July 5, 2013 and as Vice-Chairman on July 20, 2022. He is also the president and chief operations officer of Contel Communications, Inc., president of Mondo Cucina, inc., vice president of the joint venture company between Ayala Land, Inc. and CII, and chairman of CDI. Mr. Concepcion is also the founder and chief event officer of Condura Run, one of the premier running events in the Philippines. He is a finalist in the Ernst and Young Entrepreneur of the Year Awards in 2011 and received the Business Excellence Award for showing exceptional, consistent and systematic application of total quality management principles. He holds a B.A. Political Science degree from the University of the Philippines-Diliman and an Executive Master of Business Administration degree from the Asian Institute of Management.

Jose Ma. A. Concepcion III, 65, was elected to the Board of the Company on July 5, 2013. He concurrently serves as the president and CEO of RFM Corporation and chairman of the board of directors of RFM Unilever Ice Cream, Inc. Mr. Concepcion is also the co-chairman of the agri-business and food committee of PCCI. He is likewise a member of various industry associations such as PCCI, Philippine Association of Feed Millers (“PAFMI”), Philippine Association of Flour Millers (“PAFMIL”), Philippine Chamber of Food Manufacturers, Inc. (“PCFM”), Makati Business Club, and Management Association of the Philippines (“MAP”). Mr. Concepcion is active in various socio-civic associations such as the Philippine Center for Entrepreneurship Foundation which he founded, The Search for the Ten Outstanding Students of the Philippines (“TOSP”) and Rotary Club of Makati Central. From 2005 to 2010, he was the presidential consultant for entrepreneurship. Presently, Mr. Concepcion holds the following positions in socio-civic associations: vice chairman and trustee of RFM Foundation, Inc., director of the Laura Vicuna Foundation for Street Children, and vice chairman of the Micro Small and Medium Enterprise Development Council (“MSMED”). He holds a B.S. Business Management degree from the De La Salle University.

Ma. Victoria Herminia C. Young, 63, was elected to the Board of the Company on July 5, 2013. She is a director as well as the vice-president and general manager of the White King Division of RFM Corporation since 2006. She is also a director and general manager of Interbake Commissary Corporation and president of RFM Foundation, Inc. Ms. Young is likewise a trustee of several charitable organizations such as Soul Mission Organization and Ronald McDonald House of Charities. From 2000-2003, she served as a director of the Assumption Alumnae Association. Ms. Young holds a B.S. Management and Marketing degree from the Assumption College.

Raissa C. Hechanova-Posadas, 63, has been a member of the Board of the Company since July 5, 2013. She is concurrently a director of Hy-land Realty and Development Corporation, advisor to the board of directors of BDO Private Bank, Diversity Equity and Inclusion Committee Head and Deputy Membership Head of District 3820 of Rotary International, President of BSL Persons with Disabilities & Co. Inc., and member of the board of trustees of Knowledge Channel Foundation, Inc.. Prior to joining the Company, Ms. Hechanova-Posadas had 25 years of experience in corporate and investment banking at Citigroup where she held the positions of managing director, head of corporate finance unit, and designated business senior credit officer. In addition, she was a member of the Citi Philippines senior management team for ten years, and of the board of directors of several Citigroup legal vehicles in the country. Ms. Hechanova-Posadas holds a B.A. Applied Economics degree from De La Salle University and a Master of Business Administration degree from IMD International Institute for Management Development (formerly IMEDE).

Independent Directors

Cesar A. Buenaventura, 93, has been a member of the Board of the Company since November 27, 2013. He is chairman of Buenaventura Echaz and Partners, Inc. and Mitsubishi Hitachi Powers Systems, Inc., as well as vice chairman of the board of directors of DMCI Holdings, Inc.. Mr. Buenaventura is a director in the boards of DM Consunji, Inc., International Container Terminal Services, Inc (ICTSI), iPeople, Inc., Petronenergy Resources Corp., and Pilipinas Shell Petroleum Corporation. The notable positions he previously held include first Filipino CEO and chairman of the Shell Group of Companies, member of the Monetary Board of the Central Bank of the Philippines, member of the board of regents of the University of the Philippines from 1987 to 1994, member of the board of trustees of the Asian Institute of Management from 1994 to 2007, and president of the Benigno Aquino S. Foundation from 1985 to 2000. He holds a B.S. Civil Engineering from the University of the Philippines and a Master's degree in Civil Engineering, major in Structures from Lehigh University.

Justo A. Ortiz, 65, has been a member of the Board since November 6, 2020. Mr. Ortiz is the Chairman of Philippine Payments Management, Inc, Fintech Philippines Association, Inc., Distributed Ledger Technology Association of the Philippines, Inc. and Union Digital Bank, and Vice Chairman of Union Bank of the Philippines. He holds the position of Director/Trustee in The Insular Life Assurance Co. Ltd., Philippine Trade Foundation, Inc., Pilmico Foods Corporation and Aboitiz Equity Ventures. He is a Member of the Board of Governors of the Management Association of the Philippines and a Member of the Makati Business Club and World Presidents Organization. He was the Chairman of the Board of Union Bank of the Philippines from 2018 to June 2020, and its Chief Executive Officer from 1993 to 2017. Prior to his stint in Union Bank of the Philippines, Mr. Ortiz was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A. Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa, on December 11, 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

Luis Y. Benitez, Jr., 76, has been nominated as a member of the Board. Mr. Benitez is a Filipino citizen who currently serves as an independent trustee of Insular Life Assurance Co. Ltd. and independent director of Insular Healthcare, Inc., Philfirst Insurance Corp., and Sta. Clara Construction Corp., and CTBC Bank Philippines. He was a former Vice Chairman, Senior Partner, and Head of the Audit Division for SGV & Co. where he served from 1978 to 2007. Mr. Benitez received his MBA from the Stern School of Business, New York University. He is also a graduate of the Pacific Rim Bankers Program of the University of Washington. Mr. Benitez received his BSBA Major in Accounting from the University of the Philippines. He is a Certified Public Accountant.

KEY OFFICERS

Position	Name	Citizenship	Age
Chairman, Chief Executive Officer of CIC and President of CCAC	Raul Joseph A. Concepcion	Filipino	61
Vice Chairman and Treasurer	Renna C. Hechanova-Angeles	Filipino	67
Chairman of CDI	Raul Anthony A. Concepcion	Filipino	53
Chief Communications Officer; Executive Vice President, Business Development and Corporate Marketing, CIC and CCAC	Rafael C. Hechanova, Jr.	Filipino	65
Chief Strategy and Transformation Officer	Ma. Victoria A. Betita	Filipino	55
Chief Finance and Operating Officer; CEO and President, COPI; CEO and President, Alstra	Rajan Komarasu	Singaporean	57
President, CDI	Harold Thomas Pernikar, Jr.	American	46
Chief Consumer Experience Officer, CCAC	Merril Yu	Filipino	66
Managing Director, CCAC; President of CMI	Phillip F. Trapaga	Filipino	59
General Manager, CMI	Anna M. Alejandro	Filipino	42
General Manager, Integrated Logistics, CCAC and CDI	Alexander T. Villanueva	Filipino	51
Chief Product Officer, CIC	Michael Hansson	Filipino	54
General Manager, Shared Services, CCAC; President and COO, Concepcion Business Services, Inc.	Michael Eric I. Sarmiento	Filipino	53
Chief Legal Counsel and Compliance Officer	Omar C. Taccad	Filipino	54
Head of Investor Relations	Ma. Cristina M. Lleba	Filipino	37
Corporate Secretary	Jayson L. Fernandez	Filipino	53
Assistant Corporate Secretary	Roxanne Viel C. Santos	Filipino	38

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

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

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

Rafael Concepcion Hechanova, Jr., 65, was appointed as Executive Vice President for Business Development and Corporate Marketing of the Company and CCAC on December 30, 1997. He plays a key role in ensuring that the Company continues to do good business across all its markets. He oversees both the Consumer and Business Solutions Groups, including new business units for corporate marketing and business development. Prior to his tenure in CCAC, Mr. Hechanova served as a Director of the Pacific Basin Development Company in Vancouver, Canada. Upon returning to the Philippines and joining Concepcion Industries in 1994, he became responsible for managing the sales and aftermarket service of chillers and AHUs to institutional and commercial customers. In 1998, Mr. Hechanova joined the CCAC leadership as an operating partner managing retail sales and marketing for RLC air conditioning products ensuring that both product and brand development initiatives were based on unique and demanding Filipino insights. This enabled CCAC to launch highly relevant branded communication messages for Carrier, Condura and Kelvinator as well as product innovations including the patented energy saving plug. Mr. Hechanova is also currently a director of Concepcion-Carrier Realty Holdings, Inc. and of Hy-land. He was a director of CAC from 1998 to 2013 and of CCAC from 2006 to 2009. He took up Mechanical Engineering at the De La Salle University and graduated at the British Columbia Institute of Technology.

Ma. Victoria A. Betita, 55, was appointed Chief Strategy and Transformation Officer last November 1, 2021. She was the former Chief Finance Officer of the Company and CCAC from 2011 to 2021. Ms. Betita was the finance director and country controller for Asea Brown Boveri Group from 1996 to 2001. From 2001 to 2005, she was the chief financial officer of CCAC as well as the treasurer and CFO of several Carrier subsidiaries. Prior to re-joining the Company and CCAC in 2011, Ms. Betita held several positions at Deutsche Knowledge Services, Pte. Ltd. She holds a B.S. Management Engineering degree from the Ateneo de Manila University and a Masters in Business Management from the Asian Institute of Management.

Rajan Komarasu, 57, was appointed Chief Finance and Operating Officer last November 1, 2021, and is concurrently the President of COPI and Alstra Incorporated. He was the Chief Financial Officer of CCAC from 2007 to 2011. Mr. Komarasu held several positions with United Technologies Corporation (UTC) primarily in the HVACR segment. Prior to joining the Company, his last role at UTC was Asia director for financial planning and analysis at the climate control and security department in Shanghai, China. Mr. Komarasu holds a Bachelor of Business degree from Curtin University. He is also a Chartered Accountant of Singapore (inactive).

Harold Thomas Perkinar, Jr., 46, is the President of CDI. Prior to joining the CIC Group, he worked at the various offices of AkzoNobel Car Refinishes and AkzoNobel Automotive & Aerospace Coatings in Asia from 2002 to 2012. He served as a product manager, marketing & logistics manager, global product manager and business development manager at AkzoNobel Car Refinishes, and as a commercial manager at AkzoNobel Automotive & Aerospace Coatings. He holds a B.S. International Business and Finance degree from Northeastern University.

Merril Yu, 66, is the Chief Consumer Experience Officer of CCAC. He is a seasoned senior executive with over 25 years of leadership experience who has demonstrated success in managing full-scope operations and building multimillion dollar corporations. An international hotelier who has honed his craft with leading hotel brands such as Four Seasons Hotels, The Peninsula Group, and MGM, among others. Locally, he has taken on senior leadership roles in reputable organizations, such as Megawide Construction Corporation as its Head of Hotels, LBP Corporation as its President, GHM Hotels Philippines, Inc. as Managing Director, Legend Hotels International as COO, and as SVP for SM Hotels & Entertainment. Merrill finished, B.A. Political Science at Duke University. He also attended the Executive Program-Advanced Marketing Management Program, at the Asian Institute of Management.

Phillip A. Trapaga, 59, Mr. Trapaga is the Chairman and President of CMI and was concurrently appointed as Managing Director of CCAC last November 23, 2021. He also had a stint as Director of Channel Sales of CCAC with over thirty years of experience in the manufacturing, telecommunications and consumer durables. Phillip finished Bachelor of Science in Commerce, Major in Financial Institutions at the De La Salle University.

Anna M. Alejandro, 42, is the General Manager and Treasurer of CMI. She has more than 15 years of experience in the field of Financial Planning, Statutory and Management Reporting and Analysis across FMCG and Pharmaceutical industries. Over the last 10 years, Anna has taken on various managerial roles both in the Philippines and the Regional Singapore Office covering the areas of Commercial Finance, Integrated Business Project Planning and Finance Business Partnering. Her most recent role is Senior Regional Commercial Finance Manager of A Menarini Asia Pacific, based in Singapore handling 13 countries across Asia Pacific. She joined Concepcion Midea Inc. Phils. (CMIP) on November 15, 2018 as Finance Director. Anna holds a Bachelor's Degree in Accountancy from the Philippine School of Business Administration.

Alexander T. Villanueva, 51, is the General Manager for Integrated Logistics of CCAC and CDI. From 2006 to 2009, he served as the quality director of CCAC. Previously, he performed roles ranging from quality engineer to head of quality at

Ford Motor Company, both in the Philippines and in the U.S., and at Nissan Motor Philippines. Mr. Villanueva holds a B.S. Mechanical Engineering degree from the Mapua Institute of Technology.

Michael Hansson, 54, is the Chief Product Officer of CIC. He is an experienced corporate officer with over 15 years of hands-on experience in product development, engineering, technology management and international expansion, managing teams from various countries. Most of these years were spent with Integrated Microelectronics Inc. (IMI) where he held numerous roles including, Director for Global Operations, Managing Director for Global Test & Systems Development, as well as Global Design and Engineering. His most recent position was CEO for Lean Factories Technologies PTE Ltd. in Singapore. Michael has Master of Science in Computer Science and Engineering from Linkoping University.

Michael Eric I. Sarmiento, 53, was appointed as President & COO of Concepcion Business Services, Inc. (CBSI) on March 9, 2020. CBSI is the Shared Services Co. of CCAC that provides IT, HR, Finance & Accounting, Business Process Re-engineering, & Administrative Services to the Group. Mr. Sarmiento specializes in Finance & IT with almost 20 years of experience in Business & Systems Analysis, Business Intelligence, Data Analytics, IT Project Management & Consulting, and Management Accounting. Prior to joining CIC, he was SVP & General Manager of the ROHQ, Primer Resources Corp, and Deputy CFO of the Intellectual Property Venture Group (IPVG). He graduated from University of Sto. Tomas with a degree in Industrial Engineering and then got his MBA from University of the Philippines, Diliman, Q.C.

Omar C. Taccad, 53, is the Chief Legal Counsel and Compliance Officer of the Company. Prior to joining the Company on July 9, 2018 as Vice President for Legal, Governance and Compliance, he was the Head of Subsidiaries Services Division – Corporate Affairs and Legal Services Group of PLDT, Inc., and served as Corporate Secretary or Assistant Corporate Secretary of several subsidiaries of PLDT, Inc., including as Assistant Corporate Secretary of PLDT Communications and Energy Ventures, Inc. (formerly Pilipino Telephone Corporation) and ePLDT, Inc. He obtained his Juris Doctor degree from the Ateneo de Manila University and was admitted to the Philippine Bar in 1998.

Ma. Cristina M. Lleva, 37, is the Head of Investor Relations of the Company. Ms. Lleva has been handling investor relations functions for over a decade and was most recently Investor Relations Officer of Eagle Cement Corporation. She holds a Bachelor of Science in Agricultural Economics major in Finance and Cooperatives degree from the University of the Philippines in Los Banos.

Jayson L. Fernandez, 53, was elected as Corporate Secretary of the Company on July 18, 2013. He is a Partner in Romulo Mabanta Buenaventura Sayoc & de los Angeles and currently co-chairs its tax department. He obtained his A.B. Management Economics and Juris Doctor degrees from the Ateneo de Manila University and was admitted to the Philippine Bar in 1996.

Roxanne Viel C. Santos Cua, 38, was elected as the Assistant Corporate Secretary of the Corporation on July 15, 2020. She joined Romulo Mabanta Buenaventura Sayoc & de los Angeles in 2017 and is an Associate. She graduated from the Ateneo de Manila University School of Law with a Juris Doctor degree in 2016 and was admitted to the Philippine Bar in 2017.

The Executive Officers are appointed/elected by the Board of Directors at the organizational meeting following the stockholders' meeting, each to hold for a period of one (1) year.

ANNEX B

Description of Business

Concepcion Industrial Corporation (the “Company” or “CIC”), formerly Concepcion Airconditioning Corporation (“CAC”), is one of the Philippines’ most established and leading suppliers of solutions for the home and enterprises, such as air conditioners, refrigerators, small domestic appliances, and building solutions such as elevators and escalators. CIC is primarily a holding company which operates principally through its eight subsidiaries, Concepcion-Carrier Air Conditioning Company (“CCAC”), Concepcion Durables, Inc. (“CDI”), Concepcion-Otis Philippines, Inc. (“COPI”), Concepcion Business Services, Inc. (“CBSI”), Cortex Technologies Corporation (“CTC”), Alstra Incorporated (“Alstra”), Teko Solutions Asia Inc. (“Teko”), Tenex Services, Inc. (“Tenex”) and its associates, Concepcion Midea Inc. (“CMI”) and Teko Solutions Pte. Ltd. (“Teko SG”).

The Company’s air conditioning and refrigeration products and brands have received numerous awards in recognition of their quality and value to customers. *Carrier* and *Condura* brand air conditioners have received “Most Trusted Brand” awards from *Reader’s Digest Philippines* for each year for the past 24 and 22 years, respectively. Various recognitions were awarded to Carrier as the “No. 1 Air Conditioning Brand” by GfK Retail and Technology (“GfK”), while CIC won the National Customer’s Choice Annual Awards and the Asia Pacific Entrepreneurship Awards, was also named by Finance Asia as Asia’s Best Managed Companies under the Best Small Cap Category (1st Place) and placed 6th Best Investor Relations and 6th Best Corporate Governance.

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

For the year ended December 31, 2022, the Company’s audited proforma consolidated net sales and services amounted to P13.2 billion and its audited proforma consolidated net income was P0.4 billion and a profit after tax and non-controlling interest of P0.2 billion.

Principal Products or Services and their Markets

The Company has expanded its business beyond being a trusted expert in the air conditioning and refrigeration industries, toward becoming a complete consumer and building and industrial solutions company with a range of solutions and after-market service across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers and structure types, from individuals and single families living in small residences to thousands of residents, visitors and workers spread across large residential towers and office buildings, entertainment facilities and commercial and industrial warehouses and factories. These solutions are also designed to meet a variety of different needs, such as durability, noise reduction features, aesthetical appeal, varying price points and customized features to match individual requirements. Moreover, many of the Company’s air conditioning and refrigeration solutions are designed to meet the growing demand for energy efficient technologies, and the Company offers and will continue to develop these technologies as the demand for such solutions grows and the benefit payback in terms of reduced energy consumption becomes more widely known and accepted. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. The Company believes that these after-market services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company’s air conditioning and refrigeration solutions from those of its competitors.

Subsidiaries and Joint Venture

As of December 31, 2022, CIC has eight subsidiaries and two associates. The following are the significant subsidiaries and associates of the Company:

Name of Subsidiaries	Percentage of Ownership	
	Direct	Indirect
Carrier Air Conditioning Company (CCAC)	60%	-
Concepcion Durables, Inc. (CDI)	100%	-
Concepcion-Otis Philippines, Inc. (COPI)	-	51%
Concepcion Business Services, Inc. (CBSI)	100%	
Cortex Technologies Corporation (CTC)	100%	
Alstra Incorporated (Alstra)	100%	
Teko Solutions Asia Inc. (Teko)		58%
Tenex Services, Inc. (Tenex)		80%

Name of Associates	Percentage of Ownership	
Concepcion Midea Inc. (CMI)	22%	18%
Teko Solutions Pte. Ltd. (Teko SG)	-	33%

Concepcion-Carrier Air Conditioning Company (CCAC)

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

Concepcion Durables, Inc. (CDI)

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brands of refrigerators and freezers. CDI manufactures a select range of its products at its factory at LISP in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. CDI factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines. Since 2020, CDI has expanded its product portfolio from small domestic appliances such as rice cooker, coffee maker, juicer to kitchen and laundry appliances.

Concepcion Midea, Inc. (CMI)

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a full range of appliances such as air conditioners, refrigerators, laundry and kitchen appliances. CMI also distributes Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow its expansion to the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a Global Fortune 500 company and has joint venture agreement with Carrier Corporation in selected countries.

Concepcion Otis Philippines, Inc. (COP)

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

Concepcion Business Services, Inc. (CBSI)

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

Cortex Technologies Corporation (CTC)

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

Alstra

Alstra was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. It is also engaged in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services,

electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

Teko

Teko is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages on information technology solutions and innovative business models to transform the appliance services market.

Tenex

Tenex provides HVAC installation, repairs and maintenance services to commercial and business establishments. Effective July 1, 2022, it became a subsidiary of the Company through its ownership in Alstra from the latter's purchase of shares from 49% to 80%.

Teko SG

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

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

This is not relevant to the operations of the Company.

Distribution Network

The Company's principal office is located along 308 Sen. Gil Puyat Avenue, Makati City Philippines 1209. It also has two manufacturing plants in Cabuyao, Laguna.

Status of Publicly-Announced New Product or Service

All publicly-announced new products or services of the Company are in commercial distribution.

Competition

The markets for the Company's products are highly competitive, and there is considerable pressure to reduce prices, especially when faced with an economic downturn and possible reductions in consumer demand. Price competition has been fierce with shortening product cycles and an emphasis on price and technology leadership. The Company's primary competitors are *Daikin*, *Panasonic*, *LG*, *Mitsubishi* and *Trane* in the air conditioning market and *Panasonic*, *Samsung*, *Sharp* and *LG* in the domestic refrigeration market. Significant new competitors or increased competition from existing competitors may adversely affect the Company's business, financial condition and results of its operations by driving prices down. It faces strong competitors, who may later prove to have larger market presence and/or greater resources in a given business area, as well as the likely emergence of new competitors. Some industries in which the Company operates may undergo consolidation, which may result in stronger competition and a change in its relative market position. In response to an increasingly competitive environment, the Company and other manufacturers may be forced to increase efficiency or expand its sourcing activities in order to reduce costs. There can be no assurances that the Company will be able to adapt to these changes and increase or maintain its market share. Product improvements or effective advertising campaigns by competitors may also weaken consumer demand for the Company's products, and some competitors may be willing to reduce prices and accept lower profit margins to compete with the Company. As a result of this competition, the Company could lose market share and sales, or be forced to reduce its prices to meet competition, which could adversely impact its margins. If the Company's products are unable to compete successfully, its sales, result of operations and financial condition could be materially and adversely affected.

Sources and Availability of Raw Materials and Names of Principal Suppliers

The Company's chief raw materials are aluminum, copper and steel, all of which are imported. Major sources include Taiwan and China for aluminum; Malaysia and China for copper; and Taiwan, China, Korea, and Italy for steel. The Company also imports compressors, motors and finished goods, approximately 71% of the raw materials and components used in the production of the Company's air conditioning and refrigeration products were imported. The Company's business is affected by the price, quality, availability and timely delivery of the various raw materials and components that it uses in the manufacture of its products. Its business could, therefore, be adversely impacted by factors affecting its suppliers. While supply problems can affect the performance of its business as a whole, the Company is particularly sensitive to supply problems related to the above raw materials. Supply forecasts are set every three to six months, depending on the supplier, with pricing terms set annually.

Customer Concentration

The Company has a diversified customer base with both consumer and commercial customers. That said, the Company is not dependent upon single customer, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole.

Transactions with and/or Dependence on Related Parties

In the normal course of business, the Company transacts with companies, which are considered related parties under applicable Philippine laws and regulations. All such transactions were carried out on an arms' length basis.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

The Company owns the *Condura* trademark, is a party to licensing agreements for the *Carrier Kelvinator, Midea, and Toshiba, and Otis* brands, and has patents for its innovations such as the energy saving plug. While the Company attempts to protect its intellectual property rights through patents, trademarks, copyrights and trade secret laws on a continuous basis, any failure to obtain or adequately protect its intellectual property rights, product innovations or manufacturing processes may substantially diminish the Company's competitiveness and adversely affect its business.

Furthermore, any measures taken by the Company to protect its intellectual property rights may prove inadequate to prevent third parties from infringing or misappropriating its intellectual property. For instance, there have been instances when *Carrier, Kelvinator, Midea, Otis* or *Toshiba* products have been brought to the Philippines and sold by sellers, retailers, and distributors illegally and without any license agreements, effectively infringing the Company's rights. As a result, the Company may need to resort to litigation to enforce or defend its intellectual property rights. If a competitor or collaborator files a patent application claiming technology also claimed by the Company, or a trademark application claiming a trademark, service mark or trade dress also used by the Company, in order to protect its rights, the Company may have to participate in expensive and time-consuming proceedings. Similarly, the Company's intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. Furthermore, the Company's competitors may "design around" its intellectual property or independently develop technologies that are substantially equivalent or superior to the Company's technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require the Company to incur substantial costs, including the diversion of the time and resources of management and technical personnel.

To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to the Company's proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in the Company's favor. The risk that other parties may breach confidentiality agreements or that the Company's trade secrets may become known or independently discovered by competitors could harm the Company by enabling its competitors, which may have greater experience and financial resources, to copy or use the Company's trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of the Company's trade secrets would impair its competitive position, thereby weakening demand for its products or services and harming its ability to maintain or increase its customer base.

Need for Government Approval of Principal Products or Services

The Company's principal products and services are offered to customers only upon receipt of the necessary regulatory approval or clearances.

Effect of Existing or Probable Governmental Regulations on the Business

The Company has strictly complied with all Securities and Exchange Commission and Philippine Stock Exchange, Inc.'s (the "Exchange") requirements.

Amount Spent on Research and Development Activities

The Company has a strong local R&D organization with over 30 in-house engineers who are focused on designing and developing quality products. In addition, the local R&D organization obtains continuous support from various *Carrier Midea, and Otis* affiliated companies. The Company also owns the only R&D facility in the Philippines equipped with six and two testing laboratories in its air conditioning and refrigeration factories, respectively. This allows for a shorter lead time for new product introductions, enables flexibility for the customized requirements of key customers in both the residential and commercial segments, and facilitates the establishment and implementation of a framework for continuous technology development. In addition, various technology related R&D activities are undertaken by the Cortex subsidiary.

Costs and Effects of Compliance with Environmental Laws

The Company is compliant with all Environmental Laws pertaining to their industry standards. There are no added costs and effect implications of the compliance on the operations of the Company.

Complement

In support of the Company's strategic growth initiatives, complement of the Company as of December 31, 2023 is 1,218.

Risk Management

The Company's risk management organization and culture is a fundamental component of its corporate governance.

Policy Statement

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

The Revised Corporation Code lays down the basic legal framework for corporate governance of every Philippine corporation. It is supplemented by the Securities Regulation Code (Republic Act No. 8799), the rules issued by the Securities and Exchange Commission ("SEC" or "Commission") to implement Republic Act 8799 and the Code of Corporate Governance (SEC Memorandum Circular No. 6, Series of 2009), this Manual, and the charters of the Board Committees. All terms defined herein shall have the definitions given in the rules implementing Republic Act 8799.

Risk Management Organization

The Company is currently in the process of formalizing an enterprise-wide Risk Management Organization and assessment processes.

General Principles

Risk Exposure	Risk Management Policy	Objective
Strategic	The Company believes that risk management is critical to long-term value creation. Companies shall proactively handle its risks and use the management of these risks as a tool to further enhance shareholder value through greater competitiveness and an improved capacity to take risks.	Enterprise Risk Management will provide the solid platform that will enable each of the Companies in the Concepcion Group to achieve the following objectives: <ul style="list-style-type: none">To establish sustainable competitive advantageTo pursue strategic growth opportunities with greater speed, skill and confidence
Operational	By embedding the risk management process into the day-to-day line of operations, each Company fosters a culture of risk management and enables sound decision-making at every level of the organization.	<ul style="list-style-type: none">To balance risk and rewardEliminate and/or minimize operational lossTo optimize risk management cost
Governance and Internal Controls	Risk management is a fundamental element of effective corporate governance and an integral part of sound management practice in each operating entity.	To implement sound and effective corporate governance model and internal control mechanisms to achieve the goals and objectives of the Company and manage the consequences of a crisis situation.
Financial	Management believes that the key to managing financial risk is transparency and accuracy.	To implement a timely and effective financial reporting process that accurately reflects the financial state of each of the Companies.

Additional Requirements as to Certain Issues or Issuers

Debt Issues

The Company has not issued any debt instruments.

Equity Issues

On November 27, 2013, the Company listed a total of 261,244,002 common shares in the Exchange (the "Exchange"). In 2014, the Corporation declared a 30% stock dividend amounting to Php78,373,201, divided into 78,373,201 common shares with a par value of Php1.00 per share, from the unrestricted retained earnings of the Corporation as of 31 December 2013, which was issued from the unissued portion of the authorized capital stock of the Company. 23 additional shares were issued from the stock dividend to account for the rounding up of fractional shares to one share. The record date and payment date for the stock dividends were 22 August 2014 and September 8, 2014, respectively. All of the shares issued by virtue of the stock dividend have also been listed on the Exchange.

In 2017, the Corporation declared a 20% stock dividend amounting to Php67,646,665, divided into 67,646,665 common shares with a par value of Php1.00 per share, from the unrestricted retained earnings of the Corporation as of December 31, 2016, which was issued from the unissued portion of the authorized capital stock of the Company. The record date and payment date for the stock dividends were July 10, 2017 and August 3, 2017, respectively. All of the shares issued by virtue of the stock dividend have also been listed on the Exchange.

Properties

The Company owns a parcel of land in Davao City. Other than this, the Company does not own any material real properties and all of its manufacturing facilities and laboratories are located on land owned by CII.

The Company leases all real properties and facilities for its air conditioning manufacturing facilities and laboratories from CII.

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

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

Legal Proceedings

In the ordinary course of business, the Company is a party to various legal actions that it believes are routine and incidental to the operation of its business. In the opinion of the Company's management, the outcome and potential liability of these aforementioned legal actions are not likely to have a materially adverse effect on the Company's business, financial condition and results of operations.

Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the period reckoned from the last annual stockholders' meeting.

Market Information

The Company's common shares were officially listed and first traded at the Philippine Stock Exchange on November 27, 2013. The share prices as of close of business day June 27, 2023 was Php 15.14.

The share price performance for each quarter for the past three years were as follows:

Price (in PHP/share)	2023		2022		2021		2020	
	High	Low	High	Low	High	Low	High	Low
First Quarter	17.28	12.22	22.70	19.62	22.65	20.05	32.50	25.00
Second Quarter (Up to June 27)	16.00	10.68	20.75	18.00	23.40	19.70	28.95	20.00
Third Quarter			19.50	16.60	24.00	20.00	21.95	17.58
Fourth Quarter			17.70	15.00	23.00	20.10	23.80	19.70

Holders

As of June 14, 2023, there were a total of 29 shareholders of record of the Company's common shares. The total issued shares as of said date stood at 407,263,891 of which 6,372,400 are held in treasury and 20.64% are held by foreign shareholders.

The top 20 shareholders as at June 14, 2023 based on PDTC report are as follows:

	Name of Shareholder	No. of Shares Held	%
1	PCD Nominee Corporation - Filipino	146,049,791	35.86
2	Horizons Realty, Inc.	90,045,026	22.11
3	Foresight Realty and Development Corporation	90,000,000	22.10
4	PCD nominee Corporation - Non-Filipino	79,376,853	19.49
5	Sole Luna Inc.	998,963	0.25
6	Macric Incorporated	786,669	0.19
7	John T. Lao	1,560	0.00
8	Gabrielle Claudia F. Herrera	1,100	0.00
9	Joselito Corpus Herrera	1,100	0.00
10	Nadezha Iskra F. Herrera	1,100	0.00
11	Mary Joan Ilao- Ante	780	0.00
12	Hanson Chua Go	324	0.00
13	Angelo Decretales Mabunay	324	0.00
14	Jesus San Luis Valencia	156	0.00
15	Jaybee C. Baraquel	100	0.00
16	Owen Nathaniel S. au itf: li marcus au	16	0.00
17	Cesar A. Buenaventura	3	0.00
18	Alfred Reiterer	3	0.00
19	Jose Ma. A. Concepcion III	3	0.00
20	Ma. Victoria Herminia C. Young	3	0.00

DIVIDENDS

The Company is authorized under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the Board of Directors (the "Board") is authorized to declare dividends only from its distributable retained earnings, calculated based on existing regulations. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board shall determine and subject to the approval of the Philippine SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Board may not declare dividends which will impair its capital.

Cash dividends declared for the past three years ended December 31 are as follows:

Declaration Date	Record Date	Payment Date	Cash Dividend Per share (in Php)	Total Amount Declared (in Million Php)
February 16, 2022	March 17, 2022	April 12, 2022	1.00	401.9
February 10, 2021	March 12, 2021	April 12, 2021	1.00	402.0
May 13, 2020	May 27, 2020	June 17, 2020	0.70	282.3

On March 29, 2023, the Company's Board declared cash dividends in the amount of P0.50 per share totaling P199 million on all shares of common stock issued and outstanding to shareholders of record as at April 18, 2023, which were paid on April 25, 2023.

Recent Sales of Unregistered Securities

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

Events that will trigger direct or contingent financial obligation that is material to the company including any default or acceleration of an obligation. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There is no such event within the reporting period.

Management Discussion and Analysis or Plan of Operation

The following information relates to the Company's Consolidated Financial Statements as of and for the three years ended December 31, 2022, 2021, 2020 as audited by Isla Liana & Co., the independent auditors.

Factors Affecting the Company's Results of Operations

Factors affecting the Company's financial and operational results in the full-year of 2022

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

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

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

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

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

RESULTS OF OPERATIONS

Year ended December 31, 2022 compared with year ended December 31, 2021

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

Against the backdrop of uncertainties in the external environment, CIC ended the year with a consolidated net income of P0.36 billion, a 5.3% decline from P0.38 billion in 2021, as inflationary cost pressures dragged down the Company's earnings despite price hikes. Profit after tax after minority interest (PATAMI) declined by 6.6% year-on-year to P0.15 billion. Profit before tax declined by 4.6% to P0.57 billion due to weak demand, higher commodity prices and logistics costs and peso depreciation.

Net sales and services

For the year ended December 31, 2022, CIC generated consolidated net sales of P13.2 billion, 7.6% better than the P12.2 billion it made a year earlier, buoyed by gradual price increases implemented throughout the year coupled by the significant growth in the Commercial segment.

The Commercial Business consisting of commercial AC, elevators and escalators, posted a comparative year increase in sales of 32.9% to P3.4 billion on higher backlog and new orders amid the resumption of business establishments and easing of COVID-related lockdown restrictions.

The Consumer Business posted P9.8 billion in net sales, a 0.9% growth against the previous year, led higher by the price increases and more than 60% growth in Laundry and Kitchen lines and Parts business segments. However, this was offset by the weakened demand in air conditioners and refrigerators, particularly WRAC and Direct Cool, which were CIC's leading products, as consumer behavior shifted to food and beverages, travel, and entertainment amid rising inflation.

Gross Profit and Margins

CIC registered consolidated gross profit of P4.1 billion for the year ended December 31, 2022, a slight decline of 0.2% from the previous year, driven by higher commodity prices and peso depreciation. This translated to a lower margin of 30.8%.

Operating Expenses

CIC's total operating expenses slid by 1.5% to P3.4 billion due to lower employee costs, advertising and promotions, warranty, inventory obsolescence and bad debts. The Company implemented cost-saving measures to cushion the impact of global economic headwinds. Favorability is partly offset by cost increases in logistics, diser and outsourced support to projects.

Other Operating Income (loss) and Finance Costs

Other operating loss of P65.9 million was mainly driven by the losses from foreign exchange and finance costs of P32.0 million relative to interest expense on short-term borrowings and amortization of lease liabilities.

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

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

FINANCIAL CONDITION

As at December 31, 2022 compared with as at December 31, 2021

CIC remains in a strong liquidity position which gives the Company balance sheet flexibility to support its future investment plans and withstand any external adversities. Consolidated total assets as of December 31, 2022 stood at P11.7 billion, lower by P0.6 billion from end of 2021 balance of P12.3 billion. This is attributable to the decrease in cash and cash equivalents, property and equipment and right of use of assets, net of increase in contract assets and inventories.

Consolidated net cash position decreased by P0.8 billion to P1.7 billion, as a result of inventory and short-term loan payment.

Total liabilities amounted to P5.1 billion, lower by P0.2 billion from end-2021 level, owing to the short-term loan payment and lower lease liabilities.

Shareholders' equity went down by 4.9% to P6.7 billion.

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

Factors affecting the Company's financial and operational results in the full year of 2021

COVID-19: Covid Remains as a disruptor as almost 1/3 of the year or 110 days lost due to the lockdowns declared between March 22 to April 30 and August 5 to October 15. The Alert Level 4 declared during this period imposed severe restrictions on business which impacted various aspects of the operations: (1) sales- major business partners had limited business operations or remained closed during the period (2) logistics- operations shut down and mobility suffered (3) service- accredited service providers and technicians were unable to provide services during the lockdown; and (4) manufacturing- factory shutdowns occurred with limited operations specially in cases where positive results were obtained. The arrival of the Delta variant further exacerbated the situation as it restricted mobility, strained the healthcare infrastructure, and dampened over-all consumer confidence. The impact of Covid was mitigated by investments we have made in our digital transformation, and the more widespread vaccination campaign.

Macroeconomic Fundamentals: The Philippine Gross Domestic Product (GDP) grew by 5.6% on 2021 as the country continues to recover from the pandemic. While a recovery is underway and the Company enjoyed better revenues as compared to 2020, challenges still remain. Airconditioning and the small domestic appliances both grew vs. 2020 levels but remain below 2019 levels. The refrigerator and laundry market shrunk during H2 as compared to 2020. In addition, the high inflationary environment and the weakening peso which is now 6-10% lower compared to the Renminbi and the USD at 2020 levels, add additional challenges as it impacts consumer confidence, and increases the price of our imported materials.

Construction Sector Developments: Despite the easing of Alert Levels, the business activities have seen slow recovery due to limited site accessibility and implementation of COVID-19 precautionary restrictions causing slow conversion of backlogs and delays in project implementation and product fulfillment. While there is pick-up in activity in commercial markets, there is a weak order rates due to project delays, delayed orders as well as execution issues.

Commodity Prices: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials expense represents about 68% of the Company's manufactured cost of sales. The price of raw materials hit record high levels due to supply chain challenges, supply shortages, and higher demands due to the recovery.

Weather: Quarter 4 saw the devastating impact of Typhoon Odette which ravaged the southern part of the Philippines consisting of the Visayas and Mindanao region. The widespread damage it caused impacted our Q4 sales in the VisMin area.

RESULTS OF OPERATIONS

Year ended December 31, 2021 compared with year ended December 31, 2020

2021 was the beginning of the recovery, but it was not a smooth ride. The initial delay in vaccination and the arrival of the Delta variant caused two periods of lockdowns during the 2nd Quarter and the 3rd Quarter which caused us to lose almost 1/3 of the year- 110 days. This severely impacted the economy, consumer confidence and mobility.

Also, as the global economy started to recover, we were faced with challenges related to the macroeconomic environment. Commodity prices and inflation was at an all-time high. The peso continued to weaken. Supply chain disruptions, product and component shortages all threatened to increase the cost of doing business. In addition, Typhoon Odette hit the southern regions during Q4- impacting our sales in the VizMin region.

Despite the challenges, CIC grew. Investments in digital transformation initiatives started to materialize. New and relevant products were introduced and market introduction of these were supported by digital platforms. CIC actively supported the government's COVID-19 vaccination campaign and implemented a series of vaccination programs within the company to ensure the safety of employees, business partners and their dependents. Cost structures were managed to realign strategies and focus areas to the current realities. CIC is now focusing on business recovery, refocusing on culture and capabilities, as well as adopting to the new normal.

CIC is now focusing on business recovery, rebuilding our culture and capabilities, as well as adopting to the new normal.

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

CIC achieved for the year ended December 31, 2021 P0.4 billion in consolidated income, a 44.9% decline from 2020, with profit after tax after minority interest (PATAMI) at P0.2 billion, a 65.0% decline from 2020. Profit before tax was at P0.6 billion vis-à-vis 2020's P1.0 billion. The decline in earnings was due to lower margins as a result of commodity price increases, FX increases, competitive pricing, the normalization of employee costs, and investments in strategic projects.

Net sales and services

For the year ended December 31, 2021, the total consolidated net sales and services was at P12.2 billion, an increase of 13.7% from last year.

The Consumer Business posted a comparative period increase in sales of 18.7% to Php 9.7 billion, with strong consumer demand that is nevertheless still lower than pre-pandemic levels. The increase in sales was caused by higher volume driven by eased quarantine restrictions and improved consumer confidence. This was reinforced by an aggressive marketing campaign, new product introductions, and our strategic investments in digital channels and fulfillment capabilities, with earnings from digital channels increasing by more than 240%. The improved performance was tempered by the spread of the Delta Variant, which caused lockdowns during Q2 and Q3, as well as Typhoon Odette which negatively impacted demand in the VizMin region during Q4. Further challenges were experienced due to supply chain disruptions, high commodity prices, and high inflation.

The Commercial Business consisting of commercial AC, elevators and escalators posted a comparative year decrease in sales of 2.2% to P2.5 billion. The eased quarantine restrictions and increased consumer confidence helped stimulate the commercial markets with improvements in building projects, building starts, and civil starts. The performance was supported by improvements in pipelines, backlogs, and orders. Despite of this, the lingering impact of the pandemic still caused weak order rates and project delays, which impacted the financial results.

Gross Profit and Margins

CIC registered consolidated gross profit was P4.1 billion for the year ended December 31, 2020, a 3.5% increase from 2020. The increase was attributable by the higher volume of sales in first half of 2021, lower restrictions as compared to the previous year, and higher production which allowed improved absorption of fixed costs.

Operating Expenses

CIC's total operating expenses was P3.4 billion for the year ended 2021, a 14.8% higher over 2020, due to increase in volume driven costs, normalized employee costs and provisioning, as well as strategic investments for advertising, brand building and digital assets. This was offset by structural changes in the cost structure aimed at improving efficiencies.

Other Operating Income (loss) and Finance Costs

Other operating loss of P15.1 million was mainly driven by the losses from foreign exchange and the finance cost of P23.8 million was mainly related to interest expense on short-term borrowings and amortization of lease liabilities.

FINANCIAL CONDITION

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

Consolidated total assets as at December 31, 2021 was at P12.3 billion, decreased by P0.4 billion from end of 2020 balance of P12.7 billion. Marked decreases in assets were from cash and cash equivalents, trade and other receivables, contract assets, and property and equipment, right of use of assets and intangible assets, net of marked increase in inventories.

As at December 31, 2021, the consolidated net cash position was decreased by P0.5 billion to P2.5 billion, due to catch-up of payment for 2020 payables.

Total liabilities as at December 31, 2021 amounted to P5.3 billion, decreased by P0.1 billion from 2020, mainly due to decrease in trade payables and other liabilities, other provisions, lease payable and lower income tax payable.

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

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

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

Construction Sector Developments: Despite the easing of Community Quarantine (CQ), the business activities have seen slow recovery due to limited site accessibility and implementation of COVID-19 precautionary restrictions causing

slow conversion of backlogs and delays in project implementation and product fulfillment. A steep drop in new project starts for civil projects, and concept and design for new building projects was experienced during the year.

Commodity Prices and Foreign Exchange Fluctuation: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials expense represents about 71% of the Company's manufactured cost of sales. Generally, both commodity prices and FX were relatively stable in Q4 with the exception of the price of copper. Challenges arose from material sourcing especially imported raw materials due to port and logistics restrictions.

RESULTS OF OPERATIONS

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

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

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

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

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

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

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

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

Net sales and services

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

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

The Commercial Business consisting of commercial AC, elevators and escalators posted a comparative year decrease in sales of 33.5% to P2.6 billion. While the backlog of the commercial sector remains healthy, conversion to sales experienced slow down due to reduced economic and business activities over the course of first half of 2020 with softness spilling over in H2 2020 due to COVID-19. The commercial pipelines remained healthy, but there were delays in awarding and fulfillment.

Gross Profit and Margins

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

Operating Expenses

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

Other Operating Income and Finance Costs

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

FINANCIAL CONDITION

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

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

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

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

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

Events that will Trigger Direct or Contingent Financial Obligation that is Material to the Company, Including any Default or Acceleration of an Obligation

There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Key Performance Indicators

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

	For the years ended December 31		
	2022	2021	2020
Gross Profit Margin	30.8%	33.2%	36.5%
Profit Before Tax	4.3%	4.8%	9.6%
Net Income Attributable to Shareholders (in Php Millions)	153.8	164.8	470.9

	2022	2021	2020
Net Income Attributable to Shareholders (% to Sales)	1.2%	1.3%	4.4%
Return on Average Equity	3.1%	3.1%	8.9%
Return on Average Assets	3.0%	3.0%	5.5%
Earnings per Share*	0.4	0.4	1.2
Debt to Equity Ratio	0.8	0.7	0.7
Asset-to-Equity Ratio	1.8	1.7	1.7
Book Value Per Share*	12.2	12.9	13.4

Key Performance Indicator	Definition
Gross Profit Margin	Gross Profit/Net Sales
Profit Before Tax	Profit before Tax/Net Sales
Return on Average Equity	Net Income after Minority Interest/ Average Shareholder's Equity net of Minority Interest
Return on Average Assets	Net Income / Average Assets
Earnings Per Share	Net Income after Minority Interest/ Average Shares Outstanding

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

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

CASH FLOWS

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

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

The net cash flows provided by operating activities for the year ended 2022 amounted to P0.2 billion composed of income before provision for income tax of P0.6 billion, excluding adjustments, changes in working capital, interest received and including actual income tax paid. The decrease in cash flow from operating activities was due to buildup of inventory and higher settlement of payables.

The net cash flows used in investing activities for the year ended 2022 were at P0.04 billion, mainly for the acquisition of property and equipment relative to the acquisition of shares in Tenex.

The net cash flows used in financing activities for the year ended 2022 were at P1.1 billion, relating to dividend payout, short-term borrowings, lease liabilities and acquisition of treasury shares.

INDEBTEDNESS

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

CAPITAL EXPENDITURES

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

As of December 31, 2022, CIC's capital expenditures totaled to P2.3 billion. Of that amount, the majority was spent on machinery and equipment, accounting for 60% of the total.

Events that will Trigger Direct or Contingent Financial Obligation that is Material to the Company, Including any Default or Acceleration of an Obligation

There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Material Commitments for Capital Expenditures

The Company's commitments for capital expenditures will be funded out of cash flows from operations.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Company's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not Arise from Continuing Operations

There are no significant elements of income or loss that did not arise from continuing operations of the Company.

Significant Subsequent Events

The surge of the Omicron variant during January 2022 caused voluntary lockdowns as businesses temporarily shut down, and consumer confidence dropped. While a resumption of both consumer and business activity occurred by February, another surge and lockdown will have a negative impact on business results. To mitigate this risk, the Company continues to limit mass events and marketing activities, while adhering to enhanced safety protocols to ensure a safe and productive working environment.

On the business impact, supply chain disruptions, product and component shortages, unfavorable exchange rates, as well as high inflation and record-high commodity prices exacerbated by the war in Ukraine, create a challenging business environment. This is mitigated by the widespread vaccination, the general economic recovery, and increasing consumer and business confidence. In addition, the Company has taken measures to manage our cost structure, and created additional revenue streams through new product and service introduction.

The Group has assessed that the current situation would not result in any significant loss of business that may cause impairment of its assets for the year 2021 nor impact the Group's ability to meet their obligations as reflected in the 2021 financial statements.

CIC declared a cash dividend effective record date of March 17, 2022 and payable on April 12, 2022 (Php1 per share, 4.8% dividend payout).

CORPORATE GOVERNANCE

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

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

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

Governance Structure

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

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

Board Committees

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

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

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

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

The Charters and Attendance for the covered period is available in the CIC Website's [Board Committees page](#) under Corporate Governance.

The current membership of the Board Committees are as follows:

Committee	Members
Executive Committee	Raul Joseph A. Concepcion (Chairman) Renna C. Hechanova-Angeles Raul Anthony A. Concepcion
Audit and Risk Oversight Committee	Luis Y. Benitez, Jr. (Chairman, Independent Director) Cesar A. Buenaventura (Independent Director) Raissa C. Hechanova-Posadas (Non-Executive Director) Ma. Victoria Herminia C. Young (Non-Executive Director) Justo A. Ortiz (Independent Director)
Corporate Governance, Nominations and Remuneration Committee	Cesar A. Buenaventura (Chairman, Independent Director) Raul Joseph Concepcion Renna C. Hechanova-Angeles Justo A. Ortiz (Independent Director) Luis Y. Benitez, Jr. (Independent Director)
Strategy and Investments Committee	Justo A. Ortiz (Chairman, Independent Director) Ma. Victoria Herminia C. Young (Non-Executive) Raissa C. Hechanova-Angeles (Non-Executive)

Integrated Annual Corporate Governance Report (I-ACGR)

SEC MC. No. 15 series of 2017 mandates that all publicly-listed companies submit an Integrated Annual Corporate Governance Report (I-ACGR). The Company's I-ACGR contains a detailed discussion on the compliance of the Board of Directors and top-level management with the Corporate Governance Manual.

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

The I-ACGR for the covered period is available in the CIC Website's [I-ACGR portion](#) under Corporate Governance.

DIRECTORS' DISCLOSURE ON SELF-DEALING AND RELATED PARTY TRANSACTIONS

Please refer to Item 5 (e) of this Information Statement.

MINUTES OF THE ANNUAL STOCKHOLDERS MEETING HELD ON JULY 20, 2022

Please refer to Annex "G" hereof for a copy of the minutes of the annual stockholders meeting held on July 20, 2022. The voting and tabulation procedures detailed under Item 19 of this Information Statement was observed at the said annual stockholders meeting.

###

The Company undertakes to provide without charge to each person solicited, upon written request of any such person, a copy of Concepcion Industrial Corporation's Annual Report on SEC Form 17-A and the name and address of the person to whom such written request is to be directed. At the discretion of management, a charge may be made for exhibits, provided the charge is limited to reasonable expenses incurred by the registrant in furnishing the exhibits. Requests should be sent to: Atty. Jayson L. Fernandez, Office of the Corporate Secretary, 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City.

Annex C

COVER SHEET

SEC Registration Number

Table with 11 columns containing registration number: A 1 9 9 7 - 1 3 4 5 6

COMPANY NAME

Grid for company name: CONCEPCION INDUSTRIAL CORPORATION

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

Grid for principal office address: 308 SEN. GIL PUYAT AVENUE MAKATI CITY

Form Type

Table with 4 cells: 1 7 - A

Department requiring the report

Table with 4 cells: C G F D

Secondary License Type, if Applicable

Table with 4 empty cells

COMPANY INFORMATION

Company's Email Address

sec_cic@cic.ph

Company's Telephone Number/s

87721819

Mobile Number

+639178424881

No. of Stockholders

28

Annual Meeting (Month/Day)

Third Wed. of July (Actual Meeting: July 20, 2023)

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Omar C. Taccad

Email Address

omar.taccad@cic.ph

Telephone Number/s

87721819

Mobile Number

+639985843327

CONTACT PERSON'S ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

- 1. For the fiscal year ended December 31, 2022
- 2. SEC Identification Number **A1997-13456** 3. BIR Tax Identification No. **005-029-401-000**
- 4. Exact name of issuer as specified in its charter - **CONCEPCION INDUSTRIAL CORPORATION**

- 5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization
- 6. [] (SEC Use Only)
Industry Classification Code:

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

- 8. **+632 87721819**
Issuer's telephone number, including area code

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

- 10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
Title of Each Class Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
397,912,491
(as of December 31, 2022)

- 11. Are any or all of these securities listed on a Stock Exchange.
Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange **Common Stock**

- 12. Check whether the issuer:
(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
Yes [X] No []

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [X] No []

- 13. The aggregate market value of the voting stock held by non-affiliates of the registrant is P1.97 billion. The price used for this computation is the closing price as of December 31, 2022 is P17.10.

TABLE OF CONTENTS

Part I - BUSINESS AND GENERAL INFORMATION	01
Item 1 Business	01
Item 2 Properties	04
Item 3 Legal Proceedings	05
Item 4 Submission of Matters to a Vote of Security Holders	05
Part II - OPERATIONAL AND FINANCIAL INFORMATION	05
Item 5 Market for Issuer's Common Equity and Related Stockholder	05
Item 6 Management Discussion and Analysis or Plan of Operation	07
Item 7 Financial Statements	17
Item 8 Information on Independent Accountant and Other Related Matters	18
Part III - CONTROL AND COMPENSATION INFORMATION	19
Item 9 Directors and Executive Officers of the Issuer and Key Management Officers of CIC and Subsidiaries	19
Item 10 Executive Compensation	29
Item 11 Security Ownership of Certain Beneficial Owners and Management	30
Item 12 Certain Relationships and Related Transactions	33
Part IV - CORPORATE GOVERNANCE	34
Item 13 Corporate Governance	34
Part V - EXHIBITS AND SCHEDULES	35
Item 14 Exhibits and Reports on SEC Form 17-C	35
SIGNATURES	36
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	37

Part I - BUSINESS AND GENERAL INFORMATION

Item 1 Business

A. Description of the Business

Concepcion Industrial Corporation (the “Company” or “CIC”), formerly Concepcion Airconditioning Corporation (“CAC”), is one of the Philippines’ most established and leading suppliers of solutions for the home and enterprises, such as air conditioners, refrigerators, small domestic appliances, and building solutions such as elevators and escalators. CIC is primarily a holding company which operates principally through its eight subsidiaries, Concepcion-Carrier Air Conditioning Company (“CCAC”), Concepcion Durables, Inc. (“CDI”), Concepcion-Otis Philippines, Inc. (“COP”), 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’s air conditioning and refrigeration products and brands have received numerous awards in recognition of their quality and value to customers. *Carrier* and *Condura* brand air conditioners have received “Most Trusted Brand” awards from *Reader’s Digest Philippines* for each year for the past 24 and 22 years, respectively. Various recognitions were awarded to Carrier as the “No. 1 Air Conditioning Brand” by GfK Retail and Technology (“GfK”), while CIC won the National Customer’s Choice Annual Awards and the Asia Pacific Entrepreneurship Awards, was also named by Finance Asia as Asia’s Best Managed Companies under the Best Small Cap Category (1st Place) and placed 6th Best Investor Relations and 6th Best Corporate Governance.

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

For the year ended December 31, 2022, the Company’s audited proforma consolidated net sales and services amounted to P13.2 billion and its audited proforma consolidated net income was P0.4 billion and a profit after tax and non-controlling interest of P0.2 billion.

(1) Business Development

The Company has been in the industry for 60 years primarily through Concepcion Industries Inc. (“CII”). CII was established in 1962 by Jose Concepcion Sr. During the same year, CIC obtained a license from Carrier International to offer Carrier brand air conditioners in the Philippines. In 1977, a license for Kelvinator was obtained. In 1987, the Condura brand was introduced in the market.

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

Through a restructuring in 2013, CII’s ownership interest in CAC was transferred to the parent companies, Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc. On

May 8, 2013, CAC purchased CDI from CII. On June 20, 2013, CAC was renamed Concepcion Industrial Corporation. On October 9, 2013, the Company’s application for listing of its entire 700 million shares was approved by the Philippine Stock Exchange (PSE) that was followed by its formal listing and commencement of trading on November 27, 2013. On November 20, 2013, CIC and CCAC formed a joint venture with Midea Electric Trading (Singapore) Co. Pte. Ltd. (“Midea”) to expand its consumer offering to include other consumer white goods. On March 28, 2014, CIC, through CCAC, purchased effectively 51% share in Otis Philippines (now named COPI). In March 2016, CBSI was incorporated primarily to consolidate the back-office support services of the Company and its subsidiaries. In June 2017, CIC formed CTC to develop new technologies relating to consumer appliances and commercial systems. In October 2018, CIC formed Alstra primarily to carry on business as a holding company for its investments in the commercial markets. In October 2018, CTC entered into a stock purchase and shareholders agreement for the purchase of shares in Teko. In August 2019, CCAC transferred its shares of stock in COPI to Alstra and Otis Elevator Company (Philippines), Inc. effectively giving 51% Alstra ownership of COPI’s issued and outstanding capital stock. In July 2021, CTC acquired 33% ownership interest in Teko SG, a company incorporated in Singapore.

In April 2019, Tenex, a joint venture company of Alstra and Mr. Joey P. Penaflor, was organized to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning (HVAC) systems and products, and such other activities related thereto, such as construction and mechanical maintenance services. 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 Services Inc. equivalent to 9.3 million shares with par value of P1 per share or P9.3 million. Alstra Inc.’s effective ownership to Tenex increased from 49% to 80% from purchased date of shares.

(2) Business of Issuer

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 solutions and after-market 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 single families living in residences, to thousands of people spread across large residential towers, office buildings, entertainment facilities, and commercial and industrial sites. These solutions are also designed to meet a variety of different 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 the varying individual and commercial requirements. Moreover, the Company continues to develop these technologies to meet the current and future needs of its customers. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. Moving beyond products, the Company invests heavily on strengthening its relationship with its customers through the development of various platforms and applications designed to ensure a better fit between the products and services offered to the customer’s lifestyle. The Company believes that these aftermarket services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes CIC’s air conditioning and refrigeration solutions from those of its competitors.

B. Subsidiaries and Associates

As of December 31, 2022, CIC has eight subsidiaries and two associates. The following are the significant subsidiaries and associates of the Company:

Name of Subsidiaries	Percentage of Ownership	
	Direct	Indirect
Carrier Air Conditioning Company (CCAC)	60%	-
Concepcion Durables, Inc. (CDI)	100%	-

Name of Subsidiaries	Percentage of Ownership	
	Direct	Indirect
Concepcion-Otis Philippines, Inc. (COPI)	-	51%
Concepcion Business Services, Inc. (CBSI)	100%	
Cortex Technologies Corporation (CTC)	100%	
Alstra Incorporated (Alstra)	100%	
Teko Solutions Asia Inc. (Teko)		58%
Tenex Services, Inc. (Tenex)		80%

Name of Associates	Percentage of Ownership	
	Direct	Indirect
Concepcion Midea Inc. (CMI)	22%	18%
Teko Solutions Pte. Ltd. (Teko SG)	-	33%

CCAC

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

CDI

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brands of refrigerators and freezers. CDI manufactures a select range of its products at its factory at LISP in Cabuyao, Laguna, adjacent to CCAC's air conditioning and commercial refrigeration factory. CDI factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines. Since 2020, CDI has expanded its product portfolio from small domestic appliances such as rice cooker, coffee maker, juicer to kitchen and laundry appliances.

CMI

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a full range of appliances such as air conditioners, refrigerators, laundry and kitchen appliances. CMI also distributes Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow its expansion to the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a Global Fortune 500 company and has joint venture agreement with Carrier Corporation in selected countries.

COPI

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

CBSI

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

CTC

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

Alstra

Alstra was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. It is also engaged in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

Teko

Teko is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages on information technology solutions and innovative business models to transform the appliance services market.

Tenex

Tenex provides HVAC installation, repairs and maintenance services to commercial and business establishments. Effective July 1, 2022, it became a subsidiary of the Company through its ownership in Alstra from the latter's purchase of shares from 49% to 80%.

Teko SG

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

Item 2 Properties

The Company owns a parcel of land in Davao City. Other than this, CIC does not own any material real properties and all its manufacturing facilities and laboratories are located on land owned by CII.

The Company leases all real properties and facilities for its air conditioning manufacturing facilities and laboratories from CII under a three-year renewable lease agreement. The agreement was renewed for a three-year term January 1, 2022 to December 31, 2024.

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

The Company leases all other real properties and facilities for its warehouses, offices and parking spaces from various lessors with lease agreements from one (1) to five (5) years under terms and conditions as agreed with the lessors and are renewable upon mutual agreement of both parties in various dates from 2019 to 2026.

Item 3 Legal Proceedings

In the ordinary course of business, the Company is a party to various legal actions that it believes are routine and incidental to the operation of its business. In the opinion of the Company’s management, the outcome and potential liability of these aforementioned legal actions are not likely to have a materially adverse effect on the Company’s business, financial condition and results of operations.

Item 4 Submission of Matters to a Vote of Security Holders

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

Part II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

The Company’s common shares are listed and traded on the Philippine Stock Exchange.

The share price performance for each quarter for the past three years were as follows:

Price (in PhP/share)	2022		2021		2020	
	High	Low	High	Low	High	Low
First Quarter	22.70	19.62	22.65	20.05	32.50	25.00
Second Quarter	20.75	18.00	23.40	19.70	28.95	20.00
Third Quarter	19.50	16.60	24.00	20.00	21.95	17.58
Fourth Quarter	17.70	15.00	23.00	20.10	23.80	19.70

(2) Holders

As of December 31, 2022, there were a total of 28 shareholders of record of the Company’s common shares. The total issued and outstanding as of said date stood at 407,263,891 of which 19.30% are held by foreign shareholders.

The following are the top 20 registered holders of common shares of the Company as of December 31, 2022:

	Name of Shareholder	No. of Shares Held	%
1	PCD Nominee Corporation - Filipino	146,817,207	36.05
2	Horizons Realty, Inc.	90,045,026	22.11
3	Foresight Realty and Development Corporation	90,000,000	22.10
4	PCD nominee Corporation - Non-Filipino	78,607,037	19.30
5	Sole Luna Inc.	998,963	0.25
6	Macric Incorporated	786,669	0.19
7	Gemiliano S. Manalili &/or Alma B. Manalili	2,400	0.00
8	John T. Lao	1,560	0.00
9	Joselito Corpus Herrera	1,100	0.00
10	Gabrielle Claudia F. Herrera	1,100	0.00
11	Nadezhda Iskra Ferranco Herrera	1,100	0.00
12	Mary Joan Ilao- Ante	780	0.00
13	Hanson Chua Go	324	0.00
14	Angelo Decretales Mabunay	324	0.00
15	Jesus San Luis Valencia	156	0.00
16	Jaybee C. Baraquel	100	0.00
17	Owen Nathaniel S. Au itf: Li Marcus Au	16	0.00
18	Cesar A. Buenaventura	3	0.00
19	Alfred Reiterer	3	0.00
20	Jose Ma. A. Concepcion III	3	0.00

(3) Dividends

The Company is authorized under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the Board of Directors (the “Board”) is authorized to declare dividends only from its distributable retained earnings, calculated based on existing regulations. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board shall determine and subject to the approval of the Philippine SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company’s outstanding capital stock. The Board may not declare dividends which will impair its capital.

Cash dividends declared by CIC to common shareholders for the past three years ended December 31 are as follows:

Declaration Date	Record Date	Payment Date	Cash Dividend Per share (in Php)	Total Amount Declared (in Millions. Php)
February 16, 2022	March 17, 2022	April 12, 2022	1.00	401.9
February 10, 2021	March 12, 2021	April 12, 2021	1.00	402.0
May 13, 2020	May 27, 2020	June 17, 2020	0.70	282.3

On May 29, 2023, the Company’s Board declared cash dividends in the amount of P0.50 per share totaling P199 million on all shares of common stock issued and outstanding to shareholders of record as at April 18, 2023, which will be paid on April 25, 2023.

(4) Recent Sales of Unregistered Securities

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

Item 6 Management Discussion and Analysis or Plan of Operation

The following information relates to the Company's Consolidated Financial Statements as of and for the three years ended December 31, 2022, 2021, 2020 as audited by Isla Liana & Co., the independent auditors.

Description of Selected Income Statement Items

Net Sales

The Company generates revenues primarily from sales of its HVAC, refrigeration units, laundry and kitchen appliances through its subsidiaries, CCAC and CDI, including sales and service of elevators and escalators in COPI.

Costs and Expenses:

- Cost of sales and services

The Company's cost of sales and services comprise the cost of finished goods, raw materials used for the Company's manufactured products, installation costs, labor, and manufacturing and service overhead.

- Expenses

The Company's operating expenses include employee costs, outside services, freight out, rent and utilities, warranty cost, marketing and advertising costs, transportation, travel and entertainment, provisions for commission, impairment of receivables, and obsolescence legal disputes and assessments, repairs and maintenance, royalties, non-income taxes and licenses, depreciation and amortization, commission expense, supplies, insurance, and professional fees.

- Other net operating income (loss)

The Company's other operating income (loss) comprises of interest expense on loans, foreign exchange losses, net of interest income on bank deposits and short-term placements, commission and service income.

Income tax expense (benefit)

The Company's provision for income tax comprises the income taxes accrued and/or paid by the Company and its respective subsidiaries including the deferred income tax assets or tax related to future tax benefits.

Net income

Net income represents the earnings of the Company and its respective subsidiaries.

Net income attributable to parent

Net income attributable to Parent represents the Company's share at 60% of the net income of CCAC, 100% of the net income of CDI, 100% of the net loss of CBSI, 100% of the net loss of CTC, 100% of the net income of Alstra, effectively 51% of the net income of COPI, effectively 58% of net loss of Teko, effectively 80% of net loss of Tenex (49% from January 1 to June 30, 2022) and effectively 40% of net loss in CMI for the period ended December 31, 2022.

Segment Breakdown:

The Company reviews and analyzes profit or loss into Consumer and Commercial Business:

- **Consumer business**

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

- **Commercial business**

The segment's products and related services include HVAC as well as sales and service of elevators and escalators, primarily for residential, commercial and industrial use. It is sold directly to end customers or through a network of accredited specialist contractors.

Factors Affecting the Company's Results of Operations

Factors affecting the Company's financial and operational results in the full-year of 2022

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

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

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

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

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

RESULTS OF OPERATIONS

Year ended December 31, 2022 compared with year ended December 31, 2021

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

Against the backdrop of uncertainties in the external environment, CIC ended the year with a consolidated net income of P0.36 billion, a 5.3% decline from P0.38 billion in 2021, as inflationary cost pressures dragged down the Company's earnings despite price hikes. Profit after tax after minority interest (PATAMI) declined by 6.6% year-on-year to P0.15 billion. Profit before tax declined by 4.6% to P0.57 billion due to weak demand, higher commodity prices and logistics costs and peso depreciation.

Net sales and services

For the year ended December 31, 2022, CIC generated consolidated net sales of P13.2 billion, 7.6% better than the P12.2 billion it made a year earlier, buoyed by gradual price increases implemented throughout the year coupled by the significant growth in the Commercial segment.

The Commercial Business consisting of commercial AC, elevators and escalators, posted a comparative year increase in sales of 32.9% to P3.4 billion on higher backlog and new orders amid the resumption of business establishments and easing of COVID-related lockdown restrictions.

The Consumer Business posted P9.8 billion in net sales, a 0.9% growth against the previous year, led higher by the price increases and more than 60% growth in Laundry and Kitchen lines and Parts business segments. However, this was offset by the weakened demand in air conditioners and refrigerators, particularly WRAC and Direct Cool, which were CIC's leading products, as consumer behavior shifted to food and beverages, travel, and entertainment amid rising inflation.

Gross Profit and Margins

CIC registered consolidated gross profit of P4.1 billion for the year ended December 31, 2022, a slight decline of 0.2% from the previous year, driven by higher commodity prices and peso depreciation. This translated to a lower margin of 30.8%.

Operating Expenses

CIC's total operating expenses slid by 1.5% to P3.4 billion due to lower employee costs, advertising and promotions, warranty, inventory obsolescence and bad debts. The Company implemented cost-saving measures to cushion the impact of global economic headwinds. Favorability is partly offset by cost increases

in logistics, diser and outsourced support to projects.

Other Operating Income (loss) and Finance Costs

Other operating loss of P65.9 million was mainly driven by the losses from foreign exchange and finance costs of P32.0 million relative to interest expense on short-term borrowings and amortization of lease liabilities.

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

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

FINANCIAL CONDITION

As at December 31, 2022 compared with as at December 31, 2021

CIC remains in a strong liquidity position which gives the Company balance sheet flexibility to support its future investment plans and withstand any external adversities. Consolidated total assets as of December 31, 2022 stood at P11.7 billion, lower by P0.6 billion from end of 2021 balance of P12.3 billion. This is attributable to the decrease in cash and cash equivalents, property and equipment and right of use of assets, net of increase in contract assets and inventories.

Consolidated net cash position decreased by P0.8 billion to P1.7 billion, as a result of inventory and short-term loan payment.

Total liabilities amounted to P5.1 billion, lower by P0.2 billion from end-2021 level, owing to the short-term loan payment and lower lease liabilities.

Shareholders’ equity went down by 4.9% to P6.7 billion.

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

Factors affecting the Company's financial and operational results in the full year of 2021

COVID-19: Covid Remains as a disruptor as almost 1/3 of the year or 110 days lost due to the lockdowns declared between March 22 to April 30 and August 5 to October 15. The Alert Level 4 declared during this period imposed severe restrictions on business which impacted various aspects of the operations: (1) sales-major business partners had limited business operations or remained closed during the period (2) logistics-operations shut down and mobility suffered (3) service- accredited service providers and technicians were unable to provide services during the lockdown; and (4) manufacturing- factory shutdowns occurred with limited operations specially in cases where positive results were obtained. The arrival of the Delta variant further exacerbated the situation as it restricted mobility, strained the healthcare infrastructure, and dampened over-all consumer confidence. The impact of Covid was mitigated by investments we have made in our digital transformation, and the more widespread vaccination campaign.

Macroeconomic Fundamentals: The Philippine Gross Domestic Product (GDP) grew by 5.6% on 2021 as the country continues to recover from the pandemic. While a recovery is underway and the Company enjoyed better revenues as compared to 2020, challenges still remain. Airconditioning and the small domestic appliances both grew vs. 2020 levels but remain below 2019 levels. The refrigerator and laundry market shrunk during H2 as compared to 2020. In addition, the high inflationary environment and the weakening peso which is now 6-10% lower compared to the Renminbi and the USD at 2020 levels, add additional challenges as it impacts consumer confidence, and increases the price of our imported materials.

Construction Sector Developments: Despite the easing of Alert Levels, the business activities have seen slow recovery due to limited site accessibility and implementation of COVID-19 precautionary restrictions causing slow conversion of backlogs and delays in project implementation and product fulfillment. While there is pick-up in activity in commercial markets, there is a weak order rates due to project delays, delayed orders as well as execution issues.

Commodity Prices: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials expense represents about 68% of the Company's manufactured cost of sales. The price of raw materials hit record high levels due to supply chain challenges, supply shortages, and higher demands due to the recovery.

Weather: Quarter 4 saw the devastating impact of Typhoon Odette which ravaged the southern part of the Philippines consisting of the Visayas and Mindanao region. The widespread damage it caused impacted our Q4 sales in the VisMin area.

RESULTS OF OPERATIONS

Year ended December 31, 2021 compared with year ended December 31, 2020

2021 was the beginning of the recovery, but it was not a smooth ride. The initial delay in vaccination and the arrival of the Delta variant caused two periods of lockdowns during the 2nd Quarter and the 3rd Quarter which caused us to lose almost 1/3 of the year- 110 days. This severely impacted the economy, consumer confidence and mobility.

Also, as the global economy started to recover, we were faced with challenges related to the macroeconomic environment. Commodity prices and inflation was at an all-time high. The peso continued to weaken. Supply chain disruptions, product and component shortages all threatened to increase the cost of doing business. In addition, Typhoon Odette hit the southern regions during Q4- impacting our sales in the VizMin region.

Despite the challenges, CIC grew. Investments in digital transformation initiatives started to materialize. New and relevant products were introduced and market introduction of these were supported by digital platforms. CIC actively supported the government's COVID-19 vaccination campaign and implemented a series of vaccination programs within the company to ensure the safety of employees, business partners and their

dependents. Cost structures were managed to realign strategies and focus areas to the current realities. CIC is now focusing on business recovery, refocusing on culture and capabilities, as well as adopting to the new normal.

CIC is now focusing on business recovery, rebuilding our culture and capabilities, as well as adopting to the new normal.

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

CIC achieved for the year ended December 31, 2021 P0.4 billion in consolidated income, a 44.9% decline from 2020, with profit after tax after minority interest (PATAMI) at P0.2 billion, a 65.0% decline from 2020. Profit before tax was at P0.6 billion vis-à-vis 2020's P1.0 billion. The decline in earnings was due to lower margins as a result of commodity price increases, FX increases, competitive pricing, the normalization of employee costs, and investments in strategic projects.

Net sales and services

For the year ended December 31, 2021, the total consolidated net sales and services was at P12.2 billion, an increase of 13.7% from last year.

The Consumer Business posted a comparative period increase in sales of 18.7% to Php 9.7 billion, with strong consumer demand that is nevertheless still lower than pre-pandemic levels. The increase in sales was caused by higher volume driven by eased quarantine restrictions and improved consumer confidence. This was reinforced by an aggressive marketing campaign, new product introductions, and our strategic investments in digital channels and fulfillment capabilities, with earnings from digital channels increasing by more than 240%. The improved performance was tempered by the spread of the Delta Variant, which caused lockdowns during Q2 and Q3, as well as Typhoon Odette which negatively impacted demand in the VizMin region during Q4. Further challenges were experienced due to supply chain disruptions, high commodity prices, and high inflation.

The Commercial Business consisting of commercial AC, elevators and escalators posted a comparative year decrease in sales of 2.2% to P2.5 billion. The eased quarantine restrictions and increased consumer confidence helped stimulate the commercial markets with improvements in building projects, building starts, and civil starts. The performance was supported by improvements in pipelines, backlogs, and orders. Despite of this, the lingering impact of the pandemic still caused weak order rates and project delays, which impacted the financial results.

Gross Profit and Margins

CIC registered consolidated gross profit was P4.1 billion for the year ended December 31, 2020, a 3.5% increase from 2020. The increase was attributable by the higher volume of sales in first half of 2021, lower restrictions as compared to the previous year, and higher production which allowed improved absorption of fixed costs.

Operating Expenses

CIC's total operating expenses was P3.4 billion for the year ended 2021, a 14.8% higher over 2020, due to increase in volume driven costs, normalized employee costs and provisioning, as well as strategic investments for advertising, brand building and digital assets. This was offset by structural changes in the cost structure aimed at improving efficiencies.

Other Operating Income (loss) and Finance Costs

Other operating loss of P15.1 million was mainly driven by the losses from foreign exchange and the finance cost of P23.8 million was mainly related to interest expense on short-term borrowings and amortization of lease liabilities.

FINANCIAL CONDITION

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

Consolidated total assets as at December 31, 2021 was at P12.3 billion, decreased by P0.4 billion from end of 2020 balance of P12.7 billion. Marked decreases in assets were from cash and cash equivalents, trade and other receivables, contract assets, and property and equipment, right of use of assets and intangible assets, net of marked increase in inventories.

As at December 31, 2021, the consolidated net cash position was decreased by P0.5 billion to P2.5 billion, due to catch-up of payment for 2020 payables.

Total liabilities as at December 31, 2021 amounted to P5.3 billion, decreased by P0.1 billion from 2020, mainly due to decrease in trade payables and other liabilities, other provisions, lease payable and lower income tax payable.

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

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

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

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

Commodity Prices and Foreign Exchange Fluctuation: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials expense represents about 71% of the Company's manufactured cost of sales. Generally, both commodity prices and FX were relatively stable in Q4 with the exception of the price of copper. Challenges arose from material sourcing especially imported raw materials due to port and logistics restrictions.

RESULTS OF OPERATIONS

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

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

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

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

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

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

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

Net sales and services

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

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

The Commercial Business consisting of commercial AC, elevators and escalators posted a comparative year decrease in sales of 33.5% to P2.6 billion. While the backlog of the commercial sector remains healthy, conversion to sales experienced slow down due to reduced economic and business activities over the course of first half of 2020 with softness spilling over in H2 2020 due to COVID-19. The commercial pipelines remained healthy, but there were delays in awarding and fulfillment.

Gross Profit and Margins

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

Operating Expenses

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

Other Operating Income and Finance Costs

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

FINANCIAL CONDITION

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

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

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

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

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

Events that will Trigger Direct or Contingent Financial Obligation that is Material to the Company, Including any Default or Acceleration of an Obligation

There were no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Key Performance Indicators

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

	For the years ended December 31		
	2022	2021	2020
Gross Profit Margin	30.8%	33.2%	36.5%
Profit Before Tax	4.3%	4.8%	9.6%
Net Income Attributable to Shareholders (in Php Millions)	153.8	164.8	470.9

	2022	2021	2020
Net Income Attributable to Shareholders (% to Sales)	1.2%	1.3%	4.4%
Return on Average Equity	3.1%	3.1%	8.9%
Return on Average Assets	3.0%	3.0%	5.5%
Earnings per Share*	0.4	0.4	1.2
Debt to Equity Ratio	0.8	0.7	0.7
Asset-to-Equity Ratio	1.8	1.7	1.7
Book Value Per Share*	12.2	12.9	13.4

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

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

CASH FLOWS

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

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

The net cash flows provided by operating activities for the year ended 2022 amounted to P0.2 billion composed of income before provision for income tax of P0.6 billion, excluding adjustments, changes in working capital, interest received and including actual income tax paid. The decrease in cash flow from operating activities was due to buildup of inventory and higher settlement of payables-

The net cash flows used in investing activities for the year ended 2022 were at P0.04 billion, mainly for the acquisition of property and equipment relative to the acquisition of shares in Tenex.

The net cash flows used in financing activities for the year ended 2022 were at P1.1 billion, relating to dividend payout, short-term borrowings, lease liabilities and acquisition of treasury shares.

INDEBTEDNESS

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

CAPITAL EXPENDITURES

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

As of December 31, 2022, CIC's capital expenditures totaled to P2.3 billion. Of that amount, the majority was spent on machinery and equipment, accounting for 60% of the total.

Material Commitments for Capital Expenditures

The Company's commitments for capital expenditures will be funded out of cash flows from operations.

Material Impact on Income from Continuing Operations

In the normal course of operations, the Company's activities are affected by changes in interest rates, foreign currency exchange rates and other market changes. The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates and foreign currency exchange rates are kept within acceptable limits and within regulatory guidelines.

Significant Elements of Income or Loss that did not Arise from Continuing Operations

There are no significant elements of income or loss that did not arise from the continuing operations of the Company.

Significant Subsequent Events

CIC declared a cash dividend effective record date of March 29, 2023 and payable on April 25, 2023 (P0.50 per share dividend payout).

Item 7 Financial Statements

The consolidated financial statements of the Company are filed as part of this Form 17-A (refer to the Index to Financial Statements and Supplementary Schedules on page 37).

Item 8 Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

The aggregate fees billed in 2022, 2021 and 2020 for each of the professional services rendered by the Group's external auditors are summarized as follows:

NATURE OF AUDIT (in '000 Php)	FIRM	CIC	CCAC	CDI	COPI	CMI	CBSI	CTC	TEKO	ALSTRA	TENEX	TOTAL
2022												
External Audit	PWC	726	887	811	700	231	420	170	75	10	80	4,110
Impairment of Goodwill and Valuation of Intangible assets report	P&A	594	-	-	-	-	-	-	-	-	-	594
Purchase Price Allocation for the acquisition of shares in Tenex	P&A	150	-	-	-	-	-	-	-	-	-	150
Actuarial Valuation Report	EMZ	14	-	25	25	20	28	14	17	-	20	142
Tax Consultancy	SGV	528	130	1,740	950	65	-	41	28	28	-	3,510
	ROMULO	240	120	1,249	120	120	120	-	-	-	-	1,969
	IGD	-	-	-	-	-	1,608	-	-	-	-	1,608
	VILLAR TADEJA	-	-	-	-	440	-	-	-	-	-	440
TOTAL		2,251	1,137	3,825	1,795	877	2,176	224	120	38	100	12,542
2021												
External Audit	PWC	777	884	772	720	450	497	180	75	104	40	4,499
Impairment of Goodwill and Valuation of Intangible assets report	P&A	332	-	-	-	-	-	-	-	-	-	332
Actuarial Valuation Report	EMZ	14	45	162	25	18	20	18	30	-	-	332
Tax Consultancy	SGV	943	1,916	-	-	-	-	55	33	33	-	2,980
	ROMULO	240	110	70	-	-	120	-	-	-	-	540
	IGD	-	-	-	-	-	1,458	-	-	-	-	1,458
TOTAL		2,306	2,955	1,004	745	468	2,095	253	138	137	40	10,141
2020												
External Audit	PWC	700	850	735	690	460	450	200	65	10	40	4,200
Impairment of Goodwill and Valuation of Intangible assets report	P&A	640	-	-	-	-	-	-	-	-	-	640
Actuarial Valuation Report	EMZ	14	45	65	25	18	20	18	30	-	-	235
Tax Consultancy	SGV	438	-	-	800	-	-	-	-	-	-	1,238
	ROMULO	240	120	120	-	120	120	-	-	-	-	720
	IGD	-	-	-	-	-	458	-	-	-	-	1,458
TOTAL		2,032	1,015	920	1,515	598	1,048	218	95	10	40	7,491

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

The Company's Audit Committee reviews the eligibility of the incumbent external auditor for retention, considering certain criteria, during the third quarter of each year. Failing so, the Audit Committee then follows the selection process.

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

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

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

Part III - CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers of the Issuer and the Key Management Officers of CIC and Subsidiaries

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

(a) Directors

Board of Directors and Senior Management

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

Name	Age	Position	Citizenship
Raul Joseph A. Concepcion	60	Chairman	Filipino
Renna C. Hechanova- Angeles	67	Vice Chairman and Treasurer	Filipino
Raul Anthony A. Concepcion	52	Director	Filipino
Jose Ma. A. Concepcion III	64	Director	Filipino
Ma. Victoria Herminia C. Young	63	Director	Filipino
Raissa C. Hechanova-Posadas	62	Director	Filipino
Cesar A. Buenaventura	94	Independent Director	Filipino
Justo A. Ortiz	64	Independent Director	Filipino
Luis Y. Benitez, Jr.	74	Independent Director	Filipino

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

Raul Joseph A. Concepcion
Chairman

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

Renna C. Hechanova-Angeles
Vice Chairman and Treasurer

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

Raul Anthony A. Concepcion
Director

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

Jose Ma. A. Concepcion III
Director

Mr. Jose Ma. A. Concepcion III was elected to the Board of the Company on July 5, 2013. He concurrently serves as the President and CEO of RFM Corporation and Chairman of the Board of Directors of RFM Unilever Ice Cream, Inc. He is also the co-chairman of the agri-business and food committee of Philippine Chamber of Commerce and Industry (“PCCI”). He is likewise a member of various industry associations such as PCCI, Philippine Association of Feed Millers (“PAFMI”), Philippine Association of Flour Millers (“PAFMIL”), Philippine Chamber of Food Manufacturers, Inc. (“PCFM”), Makati Business Club, and Management Association of the Philippines (“MAP”). Mr. Concepcion is active in various socio-civic associations such as the Philippine Center for Entrepreneurship Foundation which he founded, The Search for the Ten Outstanding Students of the Philippines (“TOSP”) and Rotary Club of Makati Central. From 2005 to 2010, he was the presidential consultant for entrepreneurship, and in 2016 to 2022, he served as special adviser to the President of the Philippines. Presently, Mr. Concepcion holds the following positions in socio-civic associations: Vice Chairman and Trustee of RFM Foundation, Inc., Director of the Laura Vicuna Foundation for Street Children, and Vice Chairman of the Micro Small and Medium Enterprise Development Council (“MSMED”). He holds a B.S. Business Management degree from the De La Salle University.

Ma. Victoria Herminia C. Young
Director

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

Raissa C. Hechanova-Posadas
Director

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

Cesar A. Buenaventura
Independent Director

Mr. Cesar A. Buenaventura, an Independent Director, was elected to the Board of the Company on November 27, 2013. He is chairman of Buenaventura Echauz and Partners, Inc. and Mitsubishi Hitachi Powewrs Systems, Inc. He is also the Vice Chairman of the Board of Directors of DMCI Holdings, Inc., AG&P Company of Manila and Montecito Properties, Inc. Mr. Buenaventura likewise holds a directorship position in the boards of International Container Terminal Services, Inc., Semirara Mining and Power Corp., iPeople, Inc., Petronenergy Resources Corp., and Pilipinas Shell Petroleum Corporation. The notable positions he previously held include first Filipino CEO and Chairman of the Shell Group of Companies, Member of the Monetary Board of the Central Bank of the Philippines, Member of the Board of Regents of the University of the Philippines from 1987 to 1994, Member of the Board of Trustees of the Asian Institute of Management from 1994 to 2007, and President of the Benigno Aquino S. Foundation from 1985 to 2000. Mr. Buenaventura holds a B.S. Civil Engineering from the University of the Philippines and a Master's degree in Civil Engineering, major in Structures from Lehigh University.

Justo A. Ortiz
Independent Director

Mr. Justo A. Ortiz is an Independent Director since November 6, 2020. Mr. Ortiz serves as Vice Chairman of Union Bank. He holds the position of Chairman and/or Director of various subsidiaries of Union Bank of the Philippines, PETNET, Inc., City Savings Bank, Inc., UBP Investments Corporation and UBX Philippines Corporation. He is also the Chairman of the following companies: Philippine Payments Management, Inc. Fintech Philippines Association, Inc. and Distributed Ledger Technology Association of the Philippines, Inc. He is a Member of the Board of Trustees of The Insular Life Assurance Co., Ltd., Member of the Board of Governors of Management Association of the Philippines, Member of the Board of Trustees of Philippine Trade Foundation, Inc., Member of Makati Business Club and World Presidents Organization. He was the Chairman of the Board of Union Bank from 2018 to June 2020. Chief Executive Officer from 1993 to 2017. Prior to his stint in the Bank, he was Managing Partner for Global Finance and Country Executive for Investment Banking at Citibank, N.A. Mr. Ortiz became a member of the Claustro de Profesores of the University of Santo Tomas (UST) as he was conferred a Doctor of Humanities degree, Honoris Causa on December 11, 2015. He graduated Magna Cum Laude with a degree in the Economics Honors Program from Ateneo de Manila University.

Luis Y. Benitez
Independent Director

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

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

Raul T. Concepcion
Chairman Emeritus

Mr. Raul T. Concepcion is Chairman Emeritus of the Board of the Company. He concurrently serves as the Chairman and CEO of both CCAC and CDI as well as Chairman of Contel Communications, GOV'T WATCH, an independent oversight on the concerns of the Filipino consumer, and Buy Philippine Made Movement. Mr. Concepcion is also the Chairman Emeritus of the Federation of Philippine Industries, Vice President for trade of PCCI and a Trustee of the Carlos P. Romulo Foundation. He is a Member of various distinguished organizations such as the Makati Business Club, Manila Overseas Press Club, Rotary Club of Makati, Hero Foundation and MAP. Mr. Concepcion holds a B.S. Accountancy

degree from the De La Salle University and an Executive Master of Business Administration degree from the University of California at Los Angeles. The degree of Doctor of Management Science (Honoris Causa) has also been conferred on him by the Technological Institute of the Philippines.

Jose S. Concepcion, Jr.
Director Emeritus

Mr. Jose S. Concepcion, Jr. is a Director Emeritus of the Board of the Company. He concurrently serves as Chairman of the Board of RFM Corporation, Chairman and President of RFM Foundation, Inc., Chairman and CEO of SWIFT Foods Inc., Vice Chairman for Asia of the Non-Aligned Movement (“NAM”) Business Council, President for ASEAN Affairs of PCCI, Barangay Chairman of Barangay Forbes Park (since 1997), Founding Chairman of the National Citizens’ Movement for Free Elections (“NAMFREL”), Chairman of the Foundation for Lay Education on Heart Disease, special resource person of the United Coconut Planters Bank Finance Development (“UCPB CIIF”) on the utilization of the coco levy fund, President of the Gusi Peace Prize Awards Foundation, and a Member of the steering committee of the Coalition Against Corruption, Board of Trustees of the CARITAS, Philippine Jaycees Senate, Preparatory Committee on Association of Southeast Asian Nations Chambers of Commerce and Industry (“ASEAN-CCI”) Re-engineering and ASEAN-CCI executive committee. Mr. Concepcion also held previously the following notable positions: Founding Organizer in 1975 and President of the ASEAN-CCI in from 2000 to 2001, Chairman of ASEAN Business Advisory Council (“ABAC”) from 2005 to 2006, Chairman of the East Asia Business Council (“EABC”) from 2006 to 2007, Chairman of Philippine Township, Inc. from 2005- 2009, Delegate to the 1971 Constitutional Convention of the first district of Rizal, Commissioner of the EDSA People Power Commission from 1998 to 2000, Member of the task force for the World Trade Organization (“WTO”) agriculture re-negotiation, and national Chairman of the Bishops-Businessmen’s Conference for Human Development (“BBC”) from 1992 to 2002. From 1986 to 1991, he concurrently held various positions in the government such as Minister of the Department of Trade and Industry, Chairman of the Board of Investments, and Member of the Monetary Board of the Central Bank of the Philippines. He holds a B.S. Agriculture degree from Araneta Institute. Mr. Concepcion has also been conferred with the degrees of Doctor of Humane Letters (Honoris Causa) by De La Salle University, Doctor of Humane Letters (Honoris Causa) by Xavier University, and Doctor of Philosophy in Management by the Gregorio Araneta University Foundation.

(b) Executive Officers

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

Name	Age	Position	Citizenship
Raul Joseph A. Concepcion	60	Chief Executive Officer and President	Filipino
Renna C. Hechanova- Angeles	67	Vice Chairman and Treasurer	Filipino
Rafael C. Hechanova, Jr.	64	Executive Vice President	Filipino

Name	Age	Position	Citizenship
Rajan Komarasu	56	Chief Finance and Operating Officer	Singaporean
Ma. Victoria A. Betita	54	Chief Strategy & Transformation Officer	Filipino
Alberto Alfonso Albano*	47	Head of Investor Relations	Filipino
Arazeli L. Malapad**	54	Chief Audit Executive	Filipino
Omar C. Taccad	54	Chief Legal Counsel and Compliance Officer	Filipino
Jayson L. Fernandez	52	Corporate Secretary	Filipino
Roxanne Viel C. Santos	38	Assistant Corporate Secretary	Filipino

* Resignation effective January 11, 2023

** Resignation effective February 5, 2023

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

Raul Joseph A. Concepcion
Chief Executive Officer and President

Please refer to the table of Directors above.

Renna C. Hechanova-Angeles
Vice Chairman and Treasurer

Please refer to the table of Directors above.

Rafael C. Hechanova, Jr.
Executive Vice President

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

Rajan Komarasu
Chief Finance and Operating Officer

Mr. Rajan Komarasu was appointed as the Chief Finance and Operating Officer of the Company on November 1, 2021. He is concurrently the President of Alstra Incorporated and COPI. He was the Chief Financial Officer of CCAC from 2007 to 2011. Mr. Komarasu held several positions in United Technologies Corporation (now known

as Raytheon Technologies) primarily in the HVACR segment. Prior to joining the Company, his last role at UTC was Asia director for financial planning and analysis at the climate control and security department in Shanghai. Mr. Komarasu holds a Bachelor of Business degree from Curtin University. He was also a Chartered Accountant of Singapore.

Ma. Victoria A. Betita

Chief Strategy and Transformation Officer

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

Alberto Alfonso Albano

Head of Investors Relations

Alberto Alfonso “AA” Albano is the Head of Investor Relations of the Company. He is concurrently the CFO for Cortex Technologies Corporation and Teko Solutions Asia, Inc. Prior to CIC, he was the Head for Strategic Investments and Acquisitions as well as the Head for Bid Management for ePLDT, Inc. He also served as the Manager for Corporate Finance for Level Up! International Holdings Pte. Ltd.- ROHQ. AA received his MBA from the Melbourne Business School, University of Melbourne and his BS in Business Administration and Accountancy from the University of the Philippines. He is a Certified Public Accountant.

Arazeli L. Malapad

Chief Audit Executive

Arazeli “Apple” Malapad is the Chief Audit Executive of the Company. Apple is the former Vice President, Controller of Pilmico Foods Corporation, a subsidiary of Aboitiz Equity Ventures. She is a Certified Internal Auditor (CIA), a globally recognized internal auditor certification granted to her by The Institute of Internal Auditors, New York. She started her career as an external auditor in SyCip Gorres Velayo & Co. (SGV & Co.) in 1990. Apple is also a Certified Public Accountant (CPA) and obtained the Certified Management Accountant (CMA) credential from The Institute of Certified Management Accountants Australia. She also obtained the Lean Six Sigma Green Belt Certification (CLSSGB) from the Ateneo de Manila University Graduate School of Business. Apple completed the Leadership Management and Development Program in the Ateneo de Manila University Graduate School of Business where she was accorded the Director’s Award for Academic Excellence.

Omar C. Taccad
Chief Legal Counsel and Compliance Officer

Omar C. Taccad, was appointed Chief Compliance Officer in October 2019 and is the Vice President for Legal, Governance and Compliance of the Corporation since July 9, 2018. Prior to joining the Corporation, he was Assistant Corporate Secretary of PLDT Communications and Energy Ventures, Inc. (formerly Pilipino Telephone Corporation) and served as Corporate Secretary or Assistant Corporate Secretary of several subsidiaries of PLDT, Inc., where he was also Head of Subsidiaries Services Division – Corporate Affairs and Legal Services Group until 2017. He obtained his Juris Doctor degree from the Ateneo de Manila University and was admitted to the Philippine Bar in 1998.

Jayson L. Fernandez
Corporate Secretary

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

Roxanne Viel C. Santos
Assistant Corporate Secretary

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

(c) Key Management Officers of CIC and Subsidiaries

The table below sets forth certain information regarding the key management officers of the Company and its subsidiaries as of the date of this Report.

Name	Age	Position	Citizenship
Raul Joseph A. Concepcion	60	Chief Executive Officer (CEO), CIC; President, CCAC	Filipino
Renna C. Hechanova- Angeles	67	Vice Chairman and Treasurer	Filipino
Rafael C. Hechanova, Jr.	64	Chief Communications Officer; Executive Vice President (EVP), Business Development and Corporate Marketing, CIC and CCAC	Filipino
Rajan Komarasu	56	Chief Finance and Operating Officer; CEO and President, COPI, Alstra	Singaporean
Ma. Victoria A. Betita	54	Chief Strategy and Transformation Officer	Filipino
Raul Anthony A. Concepcion	52	Chairman of CDI	Filipino
Harold Thomas Pernikar, Jr.	46	President, CDI	American
Alexander T. Villanueva	50	General Manager for Integrated Logistics, CIC; Supply Chain Management, CCAC	Filipino
Philip F. Trapaga	59	Managing Director, CCAC; President, CMI	Filipino

Name	Age	Position	Citizenship
Michael Eric I. Sarmiento	53	General Manager for Shared Services, CCAC: President and COO, CBSI	Filipino
Merril Yu	65	Chief Consumer Experience Officer, CCAC	Filipino
Michael Hansson	54	Chief Product Officer, CIC	Filipino
Anna M. Alejandro	41	General Manager, CMI	Filipino

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

Raul Joseph A. Concepcion

*Chief Executive Officer, CIC;
President, CCAC*

Please refer to the table of Directors above.

Renna C. Hechanova- Angeles

Vice Chairman and Treasurer

Please refer to the table of Directors above.

Rafael C. Hechanova, Jr.

*Chief Communications Officer;
Executive Vice President, Business
Development and Corporate Marketing, CIC
and CCAC*

Please refer to the table of Executive Officers above.

Rajan Komarasu

*Chief Finance and Operating Officer;
CEO and President, COPI, Alstra*

Please refer to the table of Executive Officers above.

Ma. Victoria A. Betita

Chief Strategy and Transformation Officer

Please refer to the table of Executive Officers above.

Raul Anthony A. Concepcion

Chairman, CDI

Please refer to the table of Directors above.

Harold Thomas Pernikar, Jr.

President, CDI

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

Alexander T. Villanueva

*General Manager for Integrated Solutions
Division, CIC; Supply Chain Management,
CCAC*

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

Phillip F. Trapaga
Managing Director, CCAC
President, CMI

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

Michael Eric I. Sarmiento
General Manager for Shared Services, CCAC
President and COO, CBSI

Mr. Michael Eric Sarmiento is the President and COO of CBSI. Mr. Sarmiento specializes in Finance & IT with almost 20 years of experience in Business & Systems Analysis, Business Intelligence, Data Analytics, IT Project Management & Consulting, and Management Accounting. Prior to joining CIC, SVP & General Manager of its ROHQ, Primer Resources Corp and Deputy CFO of the Intellectual Property Venture Group (IPVG). He graduated from University of Sto. Tomas with a degree in Industrial Engineering and then got his MBA from University of the Philippines, Diliman, Q.C.

Merril Yu
Chief Consumer Experience Officer, CCAC

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

Michael Hansson
Chief Product Officer, CIC

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

Anna M. Alejandro
General Manager, CMI

Anna M. Alejandro is the General Manager and Treasurer of CMI. She has more than 15 years of experience in the field of Financial Planning, Statutory and Management Reporting and Analysis across FMCG and Pharmaceutical industries. Over the last 10 years, Anna has taken on various managerial roles both in the Philippines and the Regional Singapore Office covering the areas of Commercial Finance, Integrated Business Project Planning and Finance Business Partnering. Her most recent role is Senior Regional Commercial Finance Manager of A. Menarini Asia Pacific, based in Singapore handling 13 countries across Asia Pacific. She joined Concepcion Midea Inc. Phils. (CMIP) on November 15, 2018 as Finance Director. Anna holds a Bachelor's Degree in Accountancy from the Philippine School of Business Administration.

(d) Involvement in Certain Legal Proceedings

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

Item 10 Executive Compensation

The following are the Company's CEO and four most highly compensated executive officers of CIC and subsidiaries for the year ended December 31, 2022:

Name	Position
Raul Joseph A. Concepcion	Chief Executive Officer, CIC; President, CCAC
Raul Anthony A. Concepcion	Chairman of CDI
Renna C. Hechanova-Angeles	Vice Chairman and Treasurer
Rajan Komarasu	Chief Finance & Operating Officer; President, COPI & Alstra
Ma. Victoria A. Betita	Chief Strategy and Transformation Officer

The following table identifies and summarizes the aggregate compensation of the Company's CEO and the four most highly compensated executive officers of the Company in 2020, 2021, 2022 and 2023 (forecast):

	Year	Total ⁽¹⁾
		(Amounts are in millions)
CEO and the most highly compensated officers named above		
.....	2020	153.0
	2021	106.5
	2022	111.0
	2023 (est.)	115.0

	<u>Year</u>	<u>Total ⁽¹⁾</u>
		(Amounts are in millions)
Aggregate compensation paid to all officers and Directors as a group		
Unnamed		
.....	2020	249.3
	2021	175.6
	2022	186.4

Note:

(1) includes salary, bonuses and other income

Standard Arrangements

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

Other Arrangements

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

Employment Contracts

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

Warrants and Options Outstanding

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

Item 11 Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Record and Beneficial Owners

The following table presents a list of persons/groups known to the Company to be directly or indirectly the record or beneficial owner of more than 5% of any class of Concepcion Industrial Corporation voting shares as at December 31, 2022.

Title of Class	Name and Address of Record Owner	Citizenship	Number of Shares Held	% of Class
Common	Foresight Realty & Development Corp. (Formerly Concepcion Holdings, Inc.) 308 Sen. Gil Puyat Ave., Makati City	Filipino	90,000,000	22.10
	Hyland Realty & Development Corp. 308 Sen. Gil Puyat Ave., Makati City	Filipino	89,387,797	21.95
	Horizons Realty Inc. Pioneer cor. Sheridan St., Mandaluyong City	Filipino	90,045,026	22.11

Other than the abovementioned, the Company has no knowledge of any person who, as at December 31, 2022, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

(b) Security Ownership of Management

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the Chairman, key officers of the Company and subsidiaries as at December 31, 2022 held through various brokerage accounts and PCD Nominees.

Title of Class	Name of Beneficial Owner	Position	Citizenship	Number of Shares	Nature of Ownership	% of Class
Common	Raul Joseph A. Concepcion	Chairman/CEO/President	Filipino	1,024,160	Direct and Indirect	0.25
Common	Renna C. Hechanova-Angeles	Vice Chairman/Treasurer	Filipino	3,227,816	Direct	0.79
Common	Raul Anthony A. Concepcion	Director	Filipino	2,230,952	Direct and Indirect	0.55
Common	Ma. Victoria Herminia C. Young	Director	Filipino	1,149,073	Direct and Indirect	0.28
Common	Jose Ma. A. Concepcion III	Director	Filipino	614,056	Direct and Indirect	0.15
Common	Raissa C. Hechanova-Posadas	Director	Filipino	2,641,630	Direct	0.65
Common	Cesar A. Buenaventura	Independent Director	Filipino	3	Direct	0.0
Common	Justo A. Ortiz	Independent Director	Filipino	3,500	Direct	0.0
Common	Luis Y. Benitez, Jr.	Independent Director	Filipino	1	Direct	0.0
Common	Rafael C. Hechanova, Jr.	Chief Communications Officer/EVP	Filipino	4,207,614	Direct and Indirect	1.03
Common	Ma. Victoria A. Betita	Chief Strategy & Transformation Officer	Filipino	38,978	Direct	0.01
Common	Rajan Komarasu	Chief Finance & Operating Officer, President, COPI, Alstra	Singaporean	51,800	Direct	0.01
Common	Harold Thomas Pernikar, Jr.	President, CDI	American	1,560	Direct	0.0
Common	Alexander T. Villanueva	General Manager for Integrated Solutions Division, CIC; Supply Chain Management, CCAC	Filipino	12,500	Direct	0.0

Title of Class	Name of Beneficial Owner	Position	Citizenship	Number of Shares	Nature of Ownership	% of Class
Common	Phillip F. Trapaga	Managing Director, CCAC General Manager, CMI		12,120	Direct	0.0
Common	Arazeli Malapad*	Chief Audit Executive	Filipino	0	-	0.0
Common	Alberto Alfonso Albano**	Head of Investor Relations	Filipino	0	-	0.0
Common	Omar C. Taccad	Chief Legal Counsel and Compliance Officer	Filipino	0	-	0.0

*Resignation effective February 5, 2023

** Resignation effective January 11, 2023

The aggregate number of shares owned of record by all or key officers and directors as a group as of December 31, 2022 is 282,728,876 shares or approximately 71.05% of the Company's outstanding capital stock.

On June 11, 2018, the BOD approved the 2018 Long Term Share Incentive Plan. Under the Plan, a percentage of the Group's profit will be used to buy its existing shares in the stock market, which will then be given to entitled employees as an award based on pre-determined conditions. The program will be funded annually based on 1% to 2% of CIC profit based on the financial measure of Profit After Tax and Minority Interest. There were no incentives granted in 2022 and 2021.

(c) Voting Trust Holders of % or more

The Company has no existing voting trust or similar agreements.

(d) Changes in Control

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

Item 12 Certain Relationships and Related Transactions

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

	2022		2021		2020	
	Transactions*	Outstanding receivable (payable)	Transactions*	Outstanding receivable (payable)	Transactions*	Outstanding receivable (payable)
Shareholders						
Rent and utilities	62,495	(7,597)	56,933	-	60,666	(2)
Lease of warehouse	42,589	-	36,047	-	42,129	-
Advance Rental	-	-	1,683	-	2,730	-
Security Deposit	-	-	1,493	-	2,671	-
Dividend declaration	-	-	401,955	-	282,253	-
Reimbursements from shareholders	368	613	594	866	303	303
Reimbursements to shareholders	1,157	(1,157)	1,157	-	-	(1,157)
Associate						
Administrative services	24,774	4,542	22,180	2,058	21,454	2,728
Transfer of employees	-	-	-	-	110	(110)
Transfer of employees	7,961	7,844	2,763	(2,763)	2,537	2,687
Purchase of goods, net of return	2,637	(2,000)	16,280	(27)	17,236	(1,877)
Sale of goods	1,645	1,087	8,143	4,937	2,773	1,053
Product loan	-	-	94	(94)	270	-
Advance collections	-	-	1,771	(1,771)	-	-
Transaction fees	2,769	4	3,036	-	1,030	1,030
Reimbursements from associates	127,181	37,677	173,338	15,198	164,981	22,617
Reimbursement to associates	4,078	(6,680)	63,138	(28,265)	1,225	(4,736)
Entities under common control						
Rent and utilities	35,607	(5,746)	34,119	-	34,119	-
Entities with common shareholders						
Commission income	11,038	-	6,650	-	10,558	3,731
Dividend declaration	241,300	-	266,564	-	341,680	-
Purchases, net purchase returns	1,727,306	(258,196)	165,020	(90,434)	1,973,683	(514,258)
Collections (Payments) in behalf of a related party	-	(3,672)	(136)	(4,113)	-	(4,331)
Reimbursements	3,137	(593)	-	-	-	-
Royalty/Technical fee	53,849	(9,695)	51,895	(2,678)	42,697	(29,891)
Key management personnel						
Short-term						
Directors' fees	1,918	(2,952)	3,368	(4,329)	9,412	(9,412)
Salaries and wages	389,093	(78,671)	361,865	(82,658)	435,561	(60,772)
Long-term						
Retirement benefit	18,154	(197,744)	57,841	(179,616)	19,034	(122,007)
Retirement plan						
Contributions to the retirement fund	1,532	-	17,412	-	854	-
Claims from the retirement fund	-	3,555	-	-	25,034	-

*amount of transactions for 2022 – net of VAT (2021 and 2020 – gross amount less creditable/expanded withholding tax (CWT/EWT))

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

Part IV - CORPORATE GOVERNANCE

Item 13 Corporate Governance

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, series of 2013. Please refer to the Company's 2022 Integrated Annual Corporate Governance Report (I-ACGR) for the full discussion on the Company's corporate governance practices: <https://cic.ph/app/uploads/2022/06/SEC-Form-I-ACGR-2022-CIC-complete-30-May-2022.pdf>.

Part V - EXHIBITS AND SCHEDULES

Item 14 Exhibits and Reports on SEC Form 17-C

(a) Exhibits -- Please refer to the Index to Exhibits on page 34.

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

(b) Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed from January 1 to December 31, 2022:

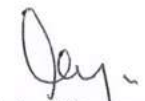
Date	Subject of Report
February 16, 2022	Declaration of Cash Dividends
February 18, 2022	Press Release on Business Updates/Financial Results
April 11, 2022	Notice of Annual Meeting
May 17, 2022	Press Release on Business Updates/Financial Results
June 30, 2022	Resignation of Independent Director Mr. Alfredo E. Pascual
July 1, 2022	Purchase of Shares in Tenex Services, Inc. by Alstra, Incorporated
July 20, 2022	Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors
July 22, 2022	Extension of Period of the Company's Buy-Back Program
July 27, 2022	Press Release on Business Updates/Financial Results
September 9, 2022	Notice of Special Stockholders' Meeting
October 28, 2022	Press Release on Business Updates/Financial Results
November 2, 2022	Results of the Special Stockholders' Meeting and Organizational Meeting of the Board of Directors

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on March 29, 2023.

By:


Raul Joseph Concepcion
Chief Executive Officer


Rajan Komarasu
Chief Finance and Operating Officer


Jayson L. Fernandez
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 30 MAR 2023, affiants exhibiting to me their residence certificates as follows:

<u>NAMES</u>	<u>ID NUMBER</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Raul Joseph A. Concepcion	P6306423A	06 March 2018	Manila
Rajan Komarasu	NCR-2022-03-004041	24 Jan. 2023	Manila
Jayson L. Fernandez	N01-88-083452	09 January 2018	Makati City

Doc No. 117
Page No. 25
Book No. 2018
Series of 2023.

PATRICIO L. BENCAYAO, JR.
Notary Public
2nd Floor, KLC Bldg., Rotonda,
Alabang, Muntinlupa City
MCLE Compliance No. VII-0015578
Issued on 04-13-22; Valid until 4-14-2025
IBP Lifetime No. 019651; 11-06-15; Pasay City
PTR No. 4347541; 01-03-23; Muntinlupa City
NC-22-031; Muntinlupa City until 12-31-23
TIN: 137-734-581
Roll No. 33796
Tel. No. 8800-70-16
patricio_bencayao_lawoffice@yahoo.com.ph



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, as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, 2021 and 2020, 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 29th day of March 2023

Signed in the presence of:

MA. ANNUNCIATA A. TRANGCO

CHARINA ROSE VENTURA

ACKNOWLEDGEMENT

Republic of the Philippines)

MUNTINLUPA CITY) SS

MUNTINLUPA CITY

Before me, a notary public for and in the _____ this

30 MAR 2023

_____ personally appeared.

Name

RAUL JOSEPH A. CONCEPCION
RAJAN KOMARASU

Evidence of Competent Identity

P6306423A issued on 06 March 2018
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

30 MAR 2023

Doc No. 115
Page No. 24
Book No. 2118
Series of 2023

PATRICIO L. BORCAYAO, JR.
Notary Public
2nd Floor, KLC Bldg., Rotonda,
Alabang, Muntinlupa City
MCLE Compliance No. VII-0015578
Issued on 04-13-22; Valid until 4-14-2025
IBP Lifetime No. 019651; 11-06-15; Pasay City
PTR No. 4347341; 01-03-23; Muntinlupa City
NC-22-081; Muntinlupa City until 12-31-23
TIN: 137-734-581
Roll No. 33796
Tel. No. 8800-70-16
patricio_borcayao_lawoffice@yahoo.com.ph

From: eafs@bir.gov.ph
To: [CIC Tax](#)
Cc: [CIC Tax](#)
Subject: Your BIR AFS eSubmission uploads were received
Date: Thursday, 30 March 2023 2:22:03 PM

Hi CONCEPCION INDUSTRIAL CORPORATION,

Valid files

- EAFS005029401RPTTY122022.pdf
- EAFS005029401ITRTY122022.pdf
- EAFS005029401AFSTY122022.pdf
- EAFS005029401TCRTY122022-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-AG8ADJEL0B97J99GKM1WQZPP106DAFBBCB**
Submission Date/Time: **Mar 30, 2023 02:02 PM**
Company TIN: **005-029-401**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

=====
DISCLAIMER
=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

For Encrypted Emails click [here](#) for instructions ===== DISCLAIMER =====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error. E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission. For Encrypted Emails click [here](#) for instructions

===== DISCLAIMER ===== This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed. If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error. E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

Concepcion Industrial Corporation and Subsidiaries

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



Independent Auditor's Report

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

Our Opinion

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

What we have audited

The consolidated financial statements of the Group comprise:

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

Basis for our Opinion

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

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

Independence

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

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph

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

Our Audit Approach

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

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

Key Audit Matters

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

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

KAM	How our audit addressed the KAM
<p><i>Impairment of goodwill</i></p> <p>The Group has goodwill arising from its acquisition of Concepcion-Otis Philippines, Inc. (COPI) in 2014, acquisition of Teko Solutions Asia, Inc. (Teko) in 2018 and acquisition of additional shares of Tenex Services, Inc. ("Tenex") in 2022.</p> <p>Under PFRS, the amount of goodwill is required to be tested annually for impairment. This annual impairment test was significant to our audit since the related goodwill amounting to P806.682 million and P802.362 million as at December 31, 2022 and 2021, respectively, is material to the consolidated financial statements. In addition, management's assessment process is complex and is based on management judgment and assumptions, specifically average revenue growth rate and pre-tax adjusted discount rate, which are affected by expected future market or economic conditions.</p>	<p>We addressed the matter by assessing the appropriateness of the work performed by management's third-party valuation expert to assist us in evaluating the assumptions and methodologies used in management's valuation. We involved our internal expert in validating the methodology and assumptions adopted by management. We found the methodology used in valuation to be consistent with those used in the industry and with prior periods. The procedures performed to assess the reasonableness of management's assumptions include, among others, the following:</p> <ul style="list-style-type: none"> • Forecasted revenue growth <p>We compared the average historical increase in revenue from actual past results of operations and growth rate of the elevator and escalator industry, and the technology industry. We also assessed revenue growth based on the Company's ongoing projects, projects commencing in 2023 and the impact of the COVID-19 pandemic on such projects. Based on this work, we found the assumptions used to be aligned with historical experience and industry outlook.</p>



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

KAM	How our audit addressed the KAM
Note 27.2.1 to the financial statements presents management's disclosures on the judgments and estimates applied in assessing impairment of goodwill.	<ul style="list-style-type: none"><li data-bbox="826 568 1166 591">• Pre-tax adjusted discount rate <p data-bbox="868 618 1398 768">We compared the discount rate used against our internally developed benchmarks and our recalculation of the Group's weighted average cost of capital. The discount rate used by management was consistent with the weighted average cost of capital of comparable companies.</p> <p data-bbox="868 792 1398 869">We evaluated the competence, capabilities and objectivity of the third-party valuation expert engaged by the Group, and our internal expert.</p>

Other Information

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

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

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

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

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

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

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



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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

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

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

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro

Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 9, 2023 at Makati City

SEC A.N. (individual) as general auditors 89352-SEC, Category A,

valid to audit 2021 to 2025 financial statements

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

valid to audit 2020 to 2024 financial statements

T.I.N. 152-015-095

BIR A.N. 08-000745-044-2021, issued on September 16, 2021; effective until September 15, 2024

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

Makati City

March 29, 2023

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines

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



Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

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

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro

Imelda Ronnie de Guzman-Castro

Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 9, 2023 at Makati City

SEC A.N. (individual) as general auditors 89352-SEC, Category A,

valid to audit 2021 to 2025 financial statements

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

valid to audit 2020 to 2024 financial statements

T.I.N. 152-015-095

BIR A.N. 08-000745-044-2021, issued on September 16, 2021; effective until September 15, 2024

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

Makati City

March 29, 2023

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



**Independent Auditor's Report on
Components of Financial Soundness Indicators**

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

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

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro

Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 9, 2023 at Makati City

SEC A.N. (individual) as general auditors 89352-SEC, Category A,
valid to audit 2021 to 2025 financial statements

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

T.I.N. 152-015-095

BIR A.N. 08-000745-044-2021, issued on September 16, 2021; effective until September 15, 2024

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

Makati City

March 29, 2023

Concepcion Industrial Corporation and Subsidiaries

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

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

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

Concepcion Industrial Corporation and Subsidiaries

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

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

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

Concepcion Industrial Corporation and Subsidiaries

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

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

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

Concepcion Industrial Corporation and Subsidiaries

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

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

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

Concepcion Industrial Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

As at December 31, 2022 and 2021 and for each of the

three years in the period ended December 31, 2022

(All amounts are shown in thousand Philippine Peso except number of shares, per share amounts and unless otherwise stated)

Note 1 - General information

1.1 Registration and business

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

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

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

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

1.2 Significant business developments

Cortex Technologies Corporation (CTC)

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

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

Alstra Incorporated (Alstra)

On July 23, 2019, the SEC approved the reclassification of 50,000,000 unissued shares of common stock to preferred stock and the corresponding amendment of the Articles of Incorporation. Subsequently, Alstra issued to CIC, preferred shares at a premium over par value at P20 per share for a total subscription price of P915 million.

Teko Solutions Asia Inc. (Teko)

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

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

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

Tenex Services, Inc. (Tenex)

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

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

1.3 Approval of financial statements

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

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

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

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

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

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

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

Note 3 - Trade and other receivables, net

Trade and other receivables as at December 31 consist of:

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

Provisions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 4 - Inventories, net

Inventories, net as at December 31 consist of:

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

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

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

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

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

Note 5 - Property and equipment, net

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

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

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

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

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

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

Note 6 - Investment property

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

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

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

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

Note 7 - Investments in shares of stock

7.1 Associates

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

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

7.1.1 Concepcion Midea Inc. (CMI)

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

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

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

7.1.2 Tenex

Tenex is primarily engaged to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, HVAC, and such other activities related thereto, such as construction and mechanical maintenance services (Note 1).

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

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

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

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

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

7.1.3 Teko SG

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

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

7.2 Subsidiaries

The subsidiaries of CIC are presented in Note 28.2.1.

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

7.2.1 CCAC

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

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

7.2.2 COPI

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

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

7.2.3 Teko

Teko was incorporated and registered with the Philippine SEC on September 5, 2017. Teko's primary business is providing information technology solutions, I.T. enabled services, e-commerce, web design, and applications, to enterprise, consumers, businesses, institutions and other end-users without engaging in mass media, advertising nor in telecommunication activities.

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

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

7.2.4 Tenex

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

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

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

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

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

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

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

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

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

Note 8 - Goodwill and intangible assets, net

8.1 Goodwill

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

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

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

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

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

Impairment test for goodwill

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

8.2 Intangible assets, net

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

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

Note 9 - Deferred income tax/Provision for income tax

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

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

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

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

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

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

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

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

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

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

Details of NOLCO as at December 31 are as follows:

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

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

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

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

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

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

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

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

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

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

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

Note 10 - Trade payables and other liabilities

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

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

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

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

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

Note 11 - Provision for warranty

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

11.1 Current

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

11.2 Non-current

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

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

Note 12 - Other provisions

Details of other provisions as at December 31 consist of:

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

Movements in provision for contingencies as at December 31 follow:

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

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

Movements in provision for commission as at December 31 follow:

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

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

Note 13 - Short-term borrowings

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

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

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

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

Note 14 - Related party transactions

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

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

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

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

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

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

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

Note 15 - Revenue from contracts with customers

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

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

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

(a) Disaggregation of revenue from contracts with customers

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

(b) Assets and liabilities related to contracts with customers

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

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

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

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

(c) Significant changes in contract assets and liabilities

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

Note 16 - Cost of sales and services

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

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

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

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

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

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

Note 17 - Operating expenses

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

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

Note 18 - Other operating income (loss), net

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

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

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

Note 19 - Leases and other agreements

19.1 Leases

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

- 19.1.1 CCAC has a three-year lease agreement with Concepcion Industries, Inc., an entity under common control to CCAC, which expired on December 31, 2021 for the lease of its factory located in the Light Industry Science Park, Cabuyao, Laguna to the Partnership. Subject to further renewal or extension on the same terms and conditions as may be agreed upon by the parties. The lease agreement is renewed for another three years which will be expiring on December 31, 2024.
- 19.1.2 CCAC has a three-year lease contract with LSL Realty Development Corporation for the lease of warehouse space located in the Light Industry Science Park, Cabuyao Laguna, subject to negotiation upon renewal. The latest renewal of the lease extends the lease term to December 31, 2022.
- 19.1.3 CCAC leases an office space in Muntinlupa City and a warehouse space in Cabuyao owned by Foresight Realty and Development Corporation, an entity under common control to CCAC. One lease contract expired on December 31, 2021 while the rest of the contracts are renewable upon mutual agreement of the parties which expired in August 2022; was renewed for another three years which will expire on July 31, 2025.
- 19.1.4. CBSI leases an office and parking space, respectively, in Muntinlupa City from Foresight Realty & Development Corp., a shareholder, for a period of five (5) years from August 2017 to July 2022. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.
- 19.1.5 CDI leases a warehouse space in Cabuyao from Hyland Realty & Dev't. Corp., an entity under common control, for a period of five (5) years commencing on November 3, 2016 and ending on November 2, 2021, subject to renewal or extension on such terms and conditions as may be agreed upon by the parties. The lease was renewed for another five (5) years up to October 31, 2026.
- 19.1.7 Both CCAC and CDI have agreements with various lessors covering office space for its regional offices. Such agreements have terms ranging from one (1) to five (5) years under terms and conditions as agreed with the lessors.
- 19.1.8 COPI leases its office and parking space from MBS Development Corp. with five-year lease term from January 9, 2019 to February 8, 2024. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.
- 19.1.9 COPI leases a warehouse space from Armal Realty Development Corporation for a period of three (3) years from September 7, 2019 to September 6, 2022. The lease is extended until September 6, 2023.
- 19.1.10 CTC has a three-year lease contract with MBS Development Corporation for its office space and parking spaces in Muntinlupa City from April 16, 2019 to June 30, 2022. The contract was terminated on December 31, 2021.
- 19.1.11 The Group also has various lease agreements for vehicles under non-cancellable operating leases expiring within two (2) to three (3) years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

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

(a) Amounts recognized in the statement of financial position

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

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

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

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

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

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

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

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

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

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

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

(c) Discount rate

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

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

19.2 Trademark and other agreements

19.2.1 Kelvinator trademark

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

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

19.2.2 Royalty/Technical service agreement with Carrier Corporation

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

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

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

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

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

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

19.2.4 Assignment Agreement with OECPI

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

Note 20 - Retirement plan

20.1 CIC

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

20.2 CCAC

CCAC has an established funded, trustee and non-contributory and of the defined benefit type retirement plan covering all its regular employees. The retirement plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 15 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

The Retirement Plan Trustee, as appointed by CCAC in the Trust Agreement executed between CCAC and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek and advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

There are no unusual or significant risks to which the Plan exposes CCAC. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from CCAC to the Retirement Fund.

In accordance with the provisions of Bureau of Internal Revenue (BIR) Regulation No. 1-68, it is required that the Retirement Plan be trustee; that there must be no discrimination in benefits that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or divided to, any purpose other than for the exclusive benefit of the Plan members. CCAC is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the CCAC's discretion.

20.3 Alstra; Teko; Tenex

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

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

20.4 COPI

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

20.5 CBSI

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

20.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to one hundred twenty-five percent (125%) of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The retirement obligation of each entity in the Group is determined using the “Projected Unit Credit” (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2022.

20.7 CDI

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

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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<i>2022</i>									
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
<i>2021</i>									
Retirement benefit obligation	16,469	287,555	166,609	75,676	5,194	1,872	2,463	-	555,838
Retirement benefit expense	1,959	54,933	147,390	16,584	3,933	2,836	754	-	228,389

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<i>2022</i>									
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
<i>2021</i>									
Present value of retirement benefit obligation	16,469	331,519	183,917	75,676	34,856	1,872	2,463	-	646,772
Fair value of plan assets	-	(43,964)	(17,308)	-	(29,662)	-	-	-	(90,934)
	16,469	287,555	166,609	75,676	5,194	1,872	2,463	-	555,838

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 21 - Equity

21.1 Share capital

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

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

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

21.2 Retained Earnings

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

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

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

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

21.3 Treasury shares

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

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

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

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

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

Note 22 - Earnings per share

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

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

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

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

Note 23 - Contingencies

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

Note 24 - Segment information

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

24.1 Profit or loss

24.1.1 Consumer business (formerly CLS business)

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

24.1.2 Commercial business (formerly BIS/Alstra business)

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

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

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

* Inclusive of Depreciation and amortization of PPE and amortization of Right of Use Assets (ROU)

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

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

24.2 Assets, liabilities and other accounts

24.2.1 CCAC

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

24.2.2 CDI

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

24.2.3 COPI

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

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

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

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

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

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

Note 25 - Foreign currency-denominated monetary assets and liabilities

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

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

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

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

Note 26 - Financial risk and capital management

26.1 Financial risk factors

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

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

26.1.1 Market risk

(a) Foreign exchange risk

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

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

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

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

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

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

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

(b) Commodity price risk

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

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

(c) Cash flow and fair value interest rate risk

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

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

26.1.2 Credit risk

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

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

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

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

- Cash and cash equivalents
- Trade receivables and receivables from related parties
- Contract assets relating to POC contracts

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

26.1.3 Liquidity risk

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

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

Type of credit facility	2022		2021	
	Currency	Amount	Currency	Amount
Bank of Philippine Islands				
Revolving promissory note line	Philippine Peso	2,500,000	Philippine Peso	2,000,000
Lease line	-	-	-	-
Bills purchased line	Philippine Peso	100,000	Philippine Peso	100,000
Import letters of credit and trust receipt line	Philippine Peso	550,000	Philippine Peso	-
Foreign Exchange Risk	Philippine Peso	500,000	Philippine Peso	-
Foreign exchange settlement line	U.S. Dollar	-	U.S. Dollar	3,000
Citibank				
Bills purchased line	Philippine Peso	45,000	Philippine Peso	45,000
Letters of credit	U.S. Dollar	7,800	U.S. Dollar	7,800
Foreign exchange settlement risk line	U.S. Dollar	1,800	U.S. Dollar	1,800
Foreign exchange pre-settlement risk line	U.S. Dollar	700	U.S. Dollar	700
Short-term loan line	U.S. Dollar	8,735	U.S. Dollar	8,735
Commercial cards	U.S. Dollar	556	U.S. Dollar	556
Banco De Oro				
Short-term loan line	Philippine Peso	500,000	Philippine Peso	500,000
Bills Purchased line	Philippine Peso	50,000	Philippine Peso	50,000
Corporate card guarantee	Philippine Peso	3,000	Philippine Peso	3,000
Foreign exchange settlement line	Philippine Peso	20,000	Philippine Peso	20,000

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

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

26.2 Capital management

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

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

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

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

The Group has no significant capital risk exposure given the level of financial assets available to finance its current liabilities. Also, the Group is not subject to externally imposed capital requirements arising from debt covenants and other similar instruments since it has no long-term borrowings from banks and financial institutions. Moreover, the Group is not subject to specific regulatory restrictions on its capital other than required public float of at least 20% of issued and outstanding shares, exclusive of any treasury shares. CIC is compliant with this requirement as at December 31, 2022 and 2021.

26.3 Fair value estimation of financial assets and liabilities

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

Note 27 - Critical accounting estimates, assumptions and judgments

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

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

27.1 Critical accounting estimates and assumptions

27.1.1 Useful lives of property and equipment

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

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

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

27.1.2 Provision for warranty cost

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

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

27.1.3 Provision for retirement benefits

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

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

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

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

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

27.1.4 Provision for volume rebates, trade discounts and other incentives

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

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

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

27.1.5 Provision for contingencies

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

27.1.6 Percentage of completion on installation contracts

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

27.1.7 Incremental borrowing rate of lease liabilities

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

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

27.1.8 Provision for impairment of receivables

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

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

27.2 Critical judgments in applying the Group's accounting policies

27.2.1 Impairment of goodwill

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

As at December 31, 2022 and 2021, based on management's assessment and judgment, there is no indication of impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2022 and 2021, the recoverable amount of COPI's business was determined based on value in use calculation (using Level 3 inputs) using certain assumptions. Management has engaged a third party which employed the discounted cash flow method in computing for the value in use. The calculations made use of cash flow projections based on financial forecasts approved by the BOD covering a five-year period beginning 2022.

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

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

Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2022 to 2026 and the annuity and present value factors using the computed discount rates (and sensitivities) to determine the value of COPI's business beyond five-year projections.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2022.

The following are the key assumptions used:

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

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

27.2.2 Impairment of intangibles - customer relationships and customer contract backlogs

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

27.2.3 Impairment of investment in associates

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

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

27.2.4 Provision for inventory obsolescence

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

27.2.5 Impairment of non-financial assets

Property and equipment and investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. Accordingly, results of management's most recent assessment disclosed the absence of any conditions such as physical damage to the properties, or significant change in manufacturing operations; rendering certain property and equipment as obsolete and would warrant assessment for impairment and/or recognition of an impairment provision in its carrying amount as at reporting date. The details of property and equipment and investment property are shown in Notes 5 and 6.

27.2.6 Income taxes

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

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

27.2.7 Contingencies

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

27.2.8 Determining lease terms

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

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

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

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

27.2.9 Determining control over a subsidiary

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

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

Note 28 - Summary of significant accounting policies

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

28.1 Basis of preparation

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

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

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

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

Changes in accounting policy and disclosures

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

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

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

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

The following improvements were finalised in May 2020:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28.2 Consolidation

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

28.2.1 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, 2022 and 2021 are as follows:

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

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

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

(a) Business combination through acquisition of business

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

(b) Business combinations under common control

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

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

28.2.2 Associates

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

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

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

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

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

28.3 Cash and cash equivalents

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

28.4 Receivables

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

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

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

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

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

28.5 Financial instruments

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

28.5.1 Financial assets

(a) Classification

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

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

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

(i) Debt instruments

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

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) Equity instruments

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

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

(d) Impairment

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

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

28.5.2 Financial liabilities

(a) Classification

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

(i) Financial liabilities at FVPL

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

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

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

(ii) Other financial liabilities

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

(b) Initial recognition and derecognition

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

(c) Subsequent measurement

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

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

28.5.3 Offsetting

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

28.6 Fair value measurement

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

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

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

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

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

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

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

28.7 Prepayments and other current assets

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

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

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

28.8 Inventories

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

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

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

28.9 Property and equipment

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

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

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

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

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

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

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

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

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

28.10 Investment property

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

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

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

28.11 Intangible assets

28.11.1 Goodwill

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

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

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

28.11.2 Customer relationships and customer contract backlogs

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

28.11.3 Computer software

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

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

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

28.12 Impairment of non-financial assets

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

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

28.13 Current and deferred income tax

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

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

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

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

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

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

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

28.14 Trade payables and other liabilities

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

Other relevant policies are disclosed in Note 28.5.

28.15 Borrowings and borrowing costs

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

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

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

28.16 Provisions

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

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

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

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

28.17 Equity

28.17.1 Share capital and share premium

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

28.17.2 Retained earnings

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

28.17.3 Dividends

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

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

28.17.4 Treasury Shares

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

28.18 Earnings per share

28.18.1 Basic

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

28.18.2 Diluted

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

28.19 Segment reporting

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

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

28.20 Revenue, cost and expense recognition

28.20.1 Revenues

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

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

(a) Sale of goods

(i) Sale of goods - wholesale

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

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

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

(b) Sale of services

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

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

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

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

(c) Financing components

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

(d) Commission, interest and other operating income

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

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

28.20.2 Cost and expenses

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

28.21 Leases - Group as lessee

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

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

(a) Measurement of lease liabilities

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

(b) Measurement of right-of-use assets

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

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

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

(c) Extension and termination options

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

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

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

28.22 Employee benefits

28.22.1 Retirement benefit obligation

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

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

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

Past service costs are recognized immediately in profit or loss.

28.22.2 Termination benefits

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

28.22.3 Bonus incentives

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

28.22.4 Other benefits

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

On June 11, 2018, the BOD approved the 2018 Long Term Share Incentive Plan. Under the Plan, a percentage of the Group's profit will be used to buy its existing shares in the stock market, which will then be given to entitled employees as an award based on pre-determined conditions. The program will be funded annually based on 1% to 2% of CIC profit based on the financial measure of Profit After Tax and Minority Interest. There were no incentives granted in 2022 and 2021.

28.23 Foreign currency transactions and translation

28.23.1 Functional and presentation currency

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

28.23.2 Transactions and balances

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

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

28.24 Related party relationships and transactions

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

28.25 Contingencies

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

28.26 Subsequent events

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

28.27 Impact of Coronavirus disease (Covid-19)

As the consumer and business activities start to normalize, the Group has assessed that the current situation would not result in any significant loss of business that may cause impairment of its assets for the year 2022 nor impact the Group's ability to meet its obligations as reflected in the financial statements. As at reporting date, the Company believes that there are no asset impairment indicators, and liquidity risk is low.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Financial Statements with Supplementary Schedules
for the Securities and Exchange Commission
December 31, 2022

Table of Contents

First Section

Statement of Management's Responsibility for the Consolidated Financial Statements
Independent Auditor's Report
Consolidated Statements of Financial Position
Consolidated Statements of Total Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

Second Section

Supplementary Schedules

Schedule of Reference

Financial Assets	A
Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Shareholders (Other than Related Parties)	B
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	C
Long-Term Debt	D
Indebtedness to Related Parties	E
Guarantees of Securities of Other Issuers	F
Capital Stock	G

Additional Components of Financial Statements

Schedule of Financial Soundness Indicators
A Map Showing Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
Reconciliation of the Parent Company's Retained Earnings Available for Dividend Declaration

Concepcion Industrial Corporation and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash and cash equivalents	-	1,688,163	-	8,493
Trade receivables and receivables from related parties	-	3,974,444	-	-
Contract assets	-	781,668	-	-
	-	6,444,275	-	8,493

Concepcion Industrial Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Shareholders
(Other than Related Parties)
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name of Employee	Balance at beginning of year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of year
Abrea , Sheina	319	-	319	-	-	-	-
Acebuque, Samuel	133	289	253	-	169	-	169
Acosta, Melanie	104	71	155	-	20	-	20
Alapag, Aveena Espejo	196	170	117	-	249	-	249
Albano, Alberto Alfonso	742	5,453	4,045	-	2,150	-	2,150
Alejandro, Michael	125	-	52	-	73	-	73
Aquino, Sherwin	342	118	110	-	350	-	350
Aranas, Eleanor	124	-	124	-	-	-	-
Arquesa, Alvin	91	-	52	-	39	-	39
Baculo, Frank	125	136	125	-	136	-	136
Bagalihog, Romnick Agad	454	-	454	-	-	-	-
Barre, Farah	1,000	22,479	15,712	-	7,767	-	7,767
Barredo, Teddy	284	-	284	-	-	-	-
Bartilet, Grace	121	160	237	-	44	-	44
Basilad, Marlo	137	217	213	-	141	-	141
Biagtan, Abigail Zabala	-	198	58	-	140	-	140
Boliver, John Kenneth	-	205	-	-	205	-	205
Buenaobra, Jerome	175	130	158	-	147	-	147
Bugayon Jethro Estorninos	182	182	182	-	182	-	182
Byrne, Sean	-	148	-	-	148	-	148
Cabajar, Sherina May	-	500	162	-	338	-	338
Caingcoy, Marlot	132	-	132	-	-	-	-
Canseco, Edgardo	143	-	52	-	91	-	91
Caraan Gener Villalobos	140	-	140	-	-	-	-
Cataluna, Mary Joy	116	-	116	-	-	-	-
Cazin , Anthony Dominie	671	309	501	-	479	-	479
Chan, Virgilio Belino	-	567	151	-	416	-	416
Concepcion, Julius Czar	-	449	-	-	449	-	449
Cosico, Dennis	8	371	122	-	257	-	257
Cruz, Rachel	139	-	64	-	75	-	75
Cuntapay, Lorelei	107	-	107	-	-	-	-
Dagmil, Jeaneth	119	-	119	-	-	-	-
Dangla, Ark	234	-	234	-	-	-	-
Dannette Grace Biligan	-	384	-	-	352	32	384
Dauden, Michael Angelo Gallarzan	-	500	66	-	434	-	434
David, Lou Agustine	190	-	190	-	-	-	-
De Jesus, Arvie	-	100	-	-	100	-	100
De Keyser, Eman Noel Peralta	-	118	-	-	118	-	118
de Leon, Delia	226	-	226	-	0	-	0
Del Monte Esperidion II,	-	174	-	-	174	-	174
Del Rosario, Mariel	-	116	5	-	111	-	111
Dela Cruz, Riam	101	176	176	-	101	-	101
Dela Cruz, Warly Atienza	-	118	5	-	113	-	113
Delima, Marwin	-	150	44	-	106	-	106
Demagante, Honey Lyka	-	157	-	-	157	-	157
Diabon, Cyrus	-	271	-	-	271	-	271
Diolanda, Shirley Mico	-	850	714	-	136	-	136
Ebuenga, Welmer	126	178	156	-	148	-	148
Edica, Genevieve	124	-	124	-	-	-	-
Emman Franze Pamintuan	181	-	181	-	-	-	-
Estrada, Ma. Elvira Piedad	-	423	287	-	136	-	136
Ferrer, Rex Ramos	-	306	121	-	185	-	185
Frank Anthony Cadorna	-	159	-	-	159	-	159
Frank Baculo Jr.	-	136	-	-	68	68	136
Garcia, Maria Corazon	350	-	350	-	-	-	-
Gatpatan, Leah	-	250	137	-	113	-	113
Halos, Kim	-	388	147	-	241	-	241
Haxton, George Guthrie Aballe	351	-	227	-	124	-	124

Name of Employee	Balance at beginning of year	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at end of year
Hipol, Federico Carlo Magno Lazaro	195	197	197	-	195	-	195
Inion, Connie	190	-	190	-	-	-	-
Inocelda, Carmela Picarana	-	225	121	-	104	-	104
Jhenny Martinez Basa	-	455	-	-	455	-	455
Joeffrey Gaerlan	370	-	370	-	-	-	-
Jose, Louie	362	362	127	-	597	-	597
Khan, Raymond	115	-	115	-	-	-	-
Ladanan, Arazeli	143	-	5	-	138	-	138
Lazaro, Christian	414	330	422	-	322	-	322
Lopena, Maria Isabel	207	-	207	-	-	-	-
Lozada, Marie Christian	171	-	171	-	-	-	-
Luna, Christian Bonifacio	-	182	8	-	174	-	174
Magtibay, Divine Grace	-	173	68	-	105	-	105
Maluyo, Mark Kevin	115	-	70	-	45	-	45
Mamigo, Franco	-	580	299	-	281	-	281
Manalon, Casius	266	399	369	-	296	-	296
Manligues, Mary Mademoiselle Pederio	-	170	56	-	114	-	114
Manzano, Lisette Tarranco	-	941	829	-	112	-	112
Mariano, Dante	984	-	81	-	903	-	903
Martinez, Jonathan	-	200	-	-	200	-	200
Mendoza, Jacquelyn	119	300	310	-	109	-	109
Mendoza, Ma Carolyn	114	236	247	-	103	-	103
Mercado, Leslie	183	-	179	-	4	-	4
Mercado, Leslie Bandoquillo	-	2,296	2,082	-	214	-	214
Mico, Shirley	340	-	340	-	-	-	-
Monreal, Robyne Victorino	-	320	81	-	239	-	239
Montemayor, Lei-lani	159	-	52	-	107	-	107
Nallos, Rhonel	196	-	196	-	-	-	-
Navarrete, Evelyn Jabagat	-	185	37	-	148	-	148
Nunez, Karolyn	124	-	124	-	-	-	-
Nunez, Mariska Bassig	-	254	89	-	165	-	165
Ocampo, Paula	385	724	653	-	456	-	456
Olitan, Jaime Jr.	143	-	68	-	75	-	75
Oral, Aaron	108	-	108	-	-	-	-
Oreta, Jerwin Recuerdo	-	223	123	-	100	-	100
Paraan, Erwin Aure	-	302	130	-	172	-	172
Partoriza, Sherly Marie	118	153	142	-	129	-	129
Porquis, Lope Ben	141	34	25	-	150	-	150
Prades, Ronell Andes	-	246	-	-	246	-	246
Prestado, Aleli Joy	109	132	136	-	105	-	105
Prudente, Maternidad Brofar	-	1,062	3	-	1,059	-	1,059
Rampas, Elsa Buenviaje	-	351	204	-	147	-	147
Reglos, Raymond	304	125	357	-	72	-	72
Repollo, Jennifer	129	-	129	-	-	-	-
Rodriguez, Estrella	120	140	140	-	120	-	120
Salazar, Emmanuel	746	-	746	-	-	-	-
Santiago, Ronald Aclon	173	126	196	-	103	-	103
Seron, Gliezel Mae	139	-	139	-	-	-	-
Tan, Dax Lawrence	185	-	185	-	-	-	-
Tarranco, Lisette Manzano	446	-	446	-	-	-	-
Tayamora, Rogelio	254	206	413	-	47	-	47
Teodoro, Christopher	169	312	484	-	(3)	-	(3)
Torno, Bernard Bautista	-	100	-	-	100	-	100
Turano, Joey	501	-	501	-	-	-	-
Vega, Kim Clouie Lapuz	-	300	12	-	288	-	288
Verano, Maria Lalyn	172	170	172	-	170	-	170
Villamora, Grace	167	638	315	-	490	-	490
Yap, Cecille	156	-	121	-	35	-	35
Yee Jasmin Tarcila Mesina	118	200	261	-	57	-	57
Zamora, Sherina May Cabajar	533	-	533	-	-	-	-
Others	17,085	64,150	67,373	-	13,640	222	13,862
Total	35,280	114,595	109,251	-	40,302	322	40,624

Concepcion Industrial Corporation and Subsidiaries

Schedule C - Amounts Receivable from Related Parties – RPT registry
which are Eliminated during the Consolidation of Financial Statements

As at December 31, 2022

(All amounts in thousand Philippine Peso)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Not Current	Balance at end of period
Concepcion Industrial Corporation, Parent Company	45	852,013	(574,058)	-	278,000	-	278,000
Concepcion-Carrier Air Conditioning Company, Subsidiary	27,743	81,722	(88,567)	-	20,898	-	20,898
Concepcion Durables Inc., Subsidiary	7,784	19,872	(20,357)	-	7,299	-	7,299
Concepcion Business Services, Inc., Subsidiary	69,647	630,081	(607,137)	-	92,591	-	92,591
Cortex Technologies Corporation, Subsidiary	17,209	13,776	(6,825)	-	24,160	-	24,160
Concepcion-Otis Philippines, Inc., Subsidiary	-	-	-	-	-	-	-
Teko Solutions Asia Inc., Subsidiary	-	20,137	(18,915)	-	1,222	-	1,222
Alstra Incorporated, Subsidiary	33	40,800	(40,833)	-	-	-	-
Tenex Services, Inc., Subsidiary	-	19,875	(2,933)	-	16,942	-	16,942

Concepcion Industrial Corporation and Subsidiaries

Schedule D - Long-Term Debt
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Title of issue and Type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term Debt" in related balance sheet
N/A	N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule E - Indebtedness to Related Parties
(Long-Term Loans from Related Companies)
As at December 31, 2022
(All amounts in thousand Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule F - Guarantees of Securities of Other Issuers

As at December 31, 2022

(All amounts in thousand Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Concepcion Industrial Corporation and Subsidiaries

Schedule G - Capital Stock - broker
As at December 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related balance sheet caption	Numbers of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	700,000,000	397,912,491	N/A	4,678,685	10,537,078	N/A

Concepcion Industrial Corporation and Subsidiaries

Additional Components of Financial Statements – working paper Schedule of Financial Soundness Indicators

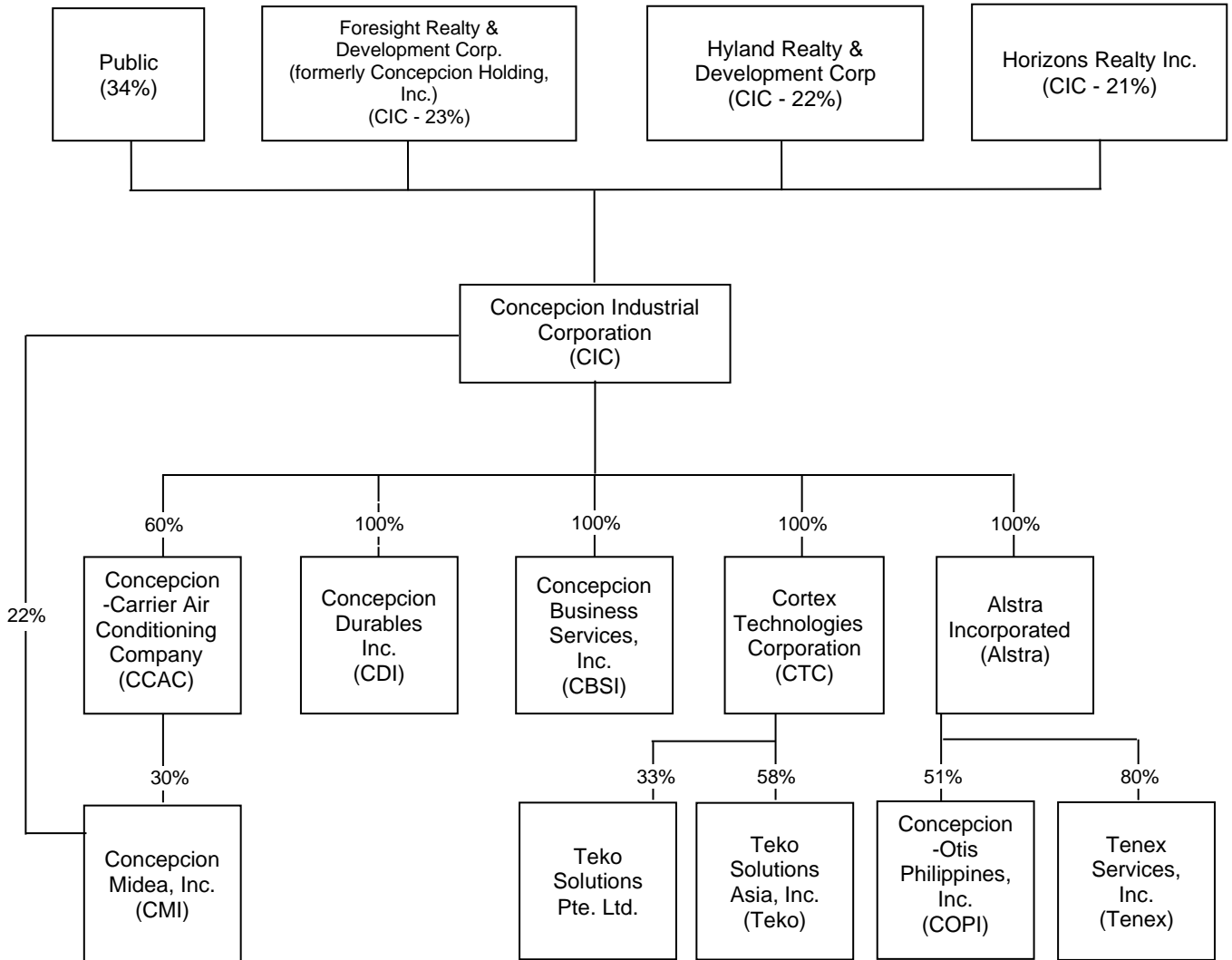
As at and for years ended December 31, 2022 and 2021

Ratio	Formula	Current Year	Prior Year
	Total Current Assets divided by Total Current Liabilities		
Current ratio	Total Current Assets	9,202,654	
	Divide by: Total Current Liabilities	<u>4,253,900</u>	2.16
	Current ratio	2.16	2.19
	Quick assets (<i>Total Current Assets less Inventories and Other Current Assets</i>) divided by Total Current Liabilities		
Acid test ratio	Total Current Assets	9,202,654	
	Less: Inventories	3,161,979	
	Other current assets	<u>115,697</u>	1.39
	Quick assets	5,924,978	
	Divide by: Total Current Liabilities	<u>4,253,900</u>	1.48
Acid test ratio	1.39		
	Total Assets divided by Total Liabilities		
Solvency ratio	Total Assets	11,770,716	
	Divided by: Total Liabilities	<u>5,072,257</u>	2.32
	Solvency ratio	2.32	2.33
	Total Liabilities divided by Total Equity		
Debt-to-equity ratio	Total Liabilities	5,072,257	
	Divided by: Total Equity	<u>6,698,459</u>	0.76
	Debt-to-equity ratio	0.76	0.75
	Total Assets divided by Total Equity		
Asset-to-equity ratio	Total Assets	11,770,716	
	Divided by: Total Equity	<u>6,698,459</u>	1.76
	Asset-to-equity ratio	1.76	1.75
	Earnings before interest and tax divided by Interest expense		
Interest rate coverage ratio	Earnings before interest and tax	597,777	
	Divided by: Interest expense	<u>32,530</u>	18.38
	Interest rate coverage ratio	18.38	25.86
	Net income attributable to owners of the Parent Company divided by average equity (net of Non-controlling interest)		
Return on average equity	Net income	153,836	3.06%
	Divided by: Average equity	<u>5,029,568</u>	3.11%
	Return on equity	3.06%	

Ratio	Formula	Current Year	Prior Year
	Net income divided by average Total Assets		
Return on average assets	Net income 358,064 Divided by: average Total Assets 12,047,351 Return on assets 2.97%	2.97%	3.02%
	Gross profit (<i>Net sales less cost of sales and services</i>) divided by Net sales		
Gross profit margin	Net sales 13,175,073 Less: Cost of sales and services (9,119,396) Gross profit 4,055,677 Divided by: Net sales 13,175,073 Gross profit margin 30.78%	30.78%	33.22%
	Income before income tax divided by Net sales		
Profit before tax	Income before income tax 565,247 Divided by: Net sales 13,175,073 Profit before tax 4.29%	4.29%	4.84%
	Net income attributable to owners of the Parent Company divided by average outstanding shares		
Earnings per share	Net income 153,836 Divided by: Outstanding shares 400,161 Earnings per share 0.38	0.38	0.41
	Total equity (net of non-controlling interest) divided by average outstanding shares		
Book value per share	Total equity 4,872,800 Divided by: Outstanding shares 400,161 Book value per share 12.18	12.18	12.90

Concepcion Industrial Corporation and Subsidiaries

Additional Components of Financial Statements
 A Map Showing Relationships between and among the Parent Company and its
 Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
 As at December 31, 2022



Annex 68-D

Concepcion Industrial Corporation and Subsidiaries

308 Gil Puyat Avenue
Makati City

Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2022
(All amounts in Philippine Peso)

2022		
Unappropriated retained earnings, based on audited financial statements, beginning		3,175,906,865
Less: Treasury shares		(172,108,440)
		<hr/> 3,003,798,425
Add: Net income actually earned/realized during the year	480,750,956	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain (except those attributable to cash and cash equivalents)		
Unrealized actuarial gain		
Fair value adjustment		
Fair value adjustment of investment property resulting to gain		
Adjustment due to deviation from PFRS/GAAP - gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS		
Sub-total	<hr/> 480,750,956	
Add: Non actual losses		
Depreciation on revaluation in revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP - loss		
Loss on fair value adjustment of investment property (after tax)		
Net income actually earned during the year	<hr/> 480,750,956	480,750,956
Add (Less):		
Dividend declarations during the year		(401,855,091)
Appropriations of retained earnings during the year		
Reversals of appropriations		
Effects of prior period adjustments		
Treasury shares		(69,356,224)
Accumulated share in income of an associate		
Unappropriated retained earnings, end	<hr/> 3,013,338,066	<hr/>



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **Concepcion Industrial Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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.

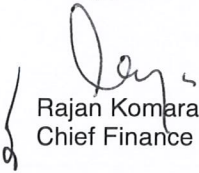
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 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 company 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 29th day of March 2023

Signed in the presence of:

MA. ANNUNCIATA A. TRANGCO

CHARINA ROSE VENTURA

ACKNOWLEDGEMENT

Republic of the Philippines)

_____) SS
MUNTINLUPA CITY

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

30 MAR 2023 _____ personally appeared.

<u>Name</u>	<u>Evidence of Competent Identity</u>
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

30 MAR 2023 _____

PATRICIO L. BONCAYAO, JR.
 Notary Public
 2nd Floor, KLC Bldg., Rotonda,
 Alabang, Muntinlupa City
 MCLE Compliance No. VII-0015578
 Issued on 04-13-22, Valid until 4-14-2025
 IBP Lifetime No. 019651; 11-06-15; Pasay City
 PTR No. 4347541; 01-03-23; Muntinlupa City
 NC-22-031; Muntinlupa City until 12-31-23
 TIN: 137-734-581
 Roll No. 33796
 Tel. No. 8800-70-16
 patricio_boncayao_lawoffice@yahoo.com.ph

Doc No. 116
 Page No. 25
 Book No. 248
 Series of 2023



Independent Auditor's Report

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

Report on the Audits of the Separate Financial Statements

Our Opinion

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

What we have audited

The separate financial statements of the Company comprise:

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

Basis for our Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Separate 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 Company 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 audits of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



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

In preparing the separate 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.

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

Auditor's Responsibilities for the Audits of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 17 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 9, 2023 at Makati City

SEC A.N. (individual) as general auditors 89352-SEC, Category A,
valid to audit 2021 to 2025 financial statements

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

T.I.N. 152-015-095

BIR A.N. 08-000745-044-2021, issued on September 16, 2021; effective until September 15, 2024

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

Makati City
March 29, 2023

Concepcion Industrial Corporation

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

	Notes	2022	2021
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	163,688,583	428,377,498
Receivables	3	284,559,220	4,779,040
Prepayments and other current assets	4	22,862,273	19,566,427
Subscription receivable	1, 9	20,000,000	20,000,000
Total current assets		491,110,076	472,722,965
Non-current assets			
Investments in subsidiaries and an associate	5	3,954,802,714	3,954,802,714
Investment property	7	40,254,900	40,254,900
Property and equipment, net	6	117,683	127,287
Total non-current assets		3,995,175,297	3,995,184,901
Total assets		4,486,285,373	4,467,907,866
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Accrued expenses and other current liabilities	8	46,825,526	39,652,470
Due to related parties	9	1,272,891	991,201
Total current liabilities		48,098,417	40,643,671
Non-current liability			
Retirement benefit obligation	13	21,647,266	16,468,966
Total liabilities		69,745,683	57,112,637
Equity			
Share capital	11	407,263,891	407,263,891
Share premium	11	993,243,008	993,243,008
Treasury shares	11	(241,464,664)	(172,108,440)
Retained earnings	11	3,254,802,730	3,175,906,865
Other comprehensive income	13	2,694,725	6,489,905
Total equity		4,416,539,690	4,410,795,229
Total liabilities and equity		4,486,285,373	4,467,907,866

The notes on pages 1 to 36 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Statements of Total Comprehensive Income For the years ended December 31, 2022 and 2021 (All amounts in Philippine Peso)

	Notes	2022	2021
Income			
Dividend income	5, 9	551,235,123	559,609,018
Interest income	2, 9	3,906,363	1,042,780
Miscellaneous income, net		211,863	267,094
Total income		555,353,349	560,918,892
Expenses			
Personnel costs		(32,600,823)	(34,249,128)
Company events		(13,338,646)	(671,740)
Professional fees		(7,408,323)	(5,956,280)
Outside services		(6,138,946)	(7,956,909)
Contingency		(2,444,499)	(4,000,000)
Taxes and licenses		(2,351,752)	(81,567)
Rent and utilities		(1,188,494)	(1,448,822)
Registration		(830,818)	(1,009,698)
Advertising and promotion		(614,679)	(1,328,833)
Insurance		(250,727)	(225,413)
Supplies		(181,914)	(91,761)
Write-off of receivables	3	-	(11,392,780)
Others		(7,244,332)	(4,883,890)
Total expenses		(74,593,953)	(73,296,821)
Income before income tax		480,759,396	487,622,071
Income tax expense	10	(8,440)	(3,737)
Net income for the year		480,750,956	487,618,334
Other comprehensive gain (loss) that will not be subsequently reclassified to profit or loss			
Remeasurement gain (loss) of retirement benefit obligation	13	(3,795,180)	5,131,007
Total comprehensive income for the year		476,955,776	492,749,341
Earnings per share - basic and diluted	12	1.20	1.21

The notes on pages 1 to 36 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Share capital (Note 11)	Share premium (Note 11)	Treasury shares (Note 11)	Retained earnings (Note 11)	Other comprehensive income (Note 13)	Total
Balances as at January 1, 2021	407,263,891	993,243,008	(170,068,440)	3,090,243,622	1,358,898	4,322,040,979
Comprehensive income						
Net income for the year	-	-	-	487,618,334	-	487,618,334
Remeasurement gain of retirement benefit	-	-	-	-	5,131,007	5,131,007
Total comprehensive income	-	-	-	487,618,334	5,131,007	492,749,341
Transactions with owners						
Cash dividends declared	-	-	-	(401,955,091)	-	(401,955,091)
Acquisition of treasury shares	-	-	(2,040,000)	-	-	(2,040,000)
Total transactions with owners	-	-	(2,040,000)	(401,955,091)	-	(403,995,091)
Balances as at December 31, 2021	407,263,891	993,243,008	(172,108,440)	3,175,906,865	6,489,905	4,410,795,229
Comprehensive income						
Net income for the year	-	-	-	480,750,956	-	480,750,956
Remeasurement loss of retirement benefit	-	-	-	-	(3,795,180)	(3,795,180)
Total comprehensive income	-	-	-	480,750,956	(3,795,180)	476,955,776
Transactions with owners						
Cash dividends declared	-	-	-	(401,855,091)	-	(401,855,091)
Acquisition of treasury shares	-	-	(69,356,224)	-	-	(69,356,224)
Total transactions with owners	-	-	(69,356,224)	(401,855,091)	-	(471,211,315)
Balances as at December 31, 2022	407,263,891	993,243,008	(241,464,664)	3,254,802,730	2,694,725	4,416,539,690

The notes on pages 1 to 36 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Statements of Cash Flows For the years ended December 31, 2022 and 2021 (All amount in Philippine Peso)

	Notes	2022	2021
Cash flows from operating activities			
Income before income tax		480,759,396	487,622,071
Adjustments for:			
Dividend income	5,9	(551,235,123)	(559,609,018)
Bonuses	8	9,244,148	12,741,507
Interest income on bank deposits and short-term placements	2	(3,290,931)	(1,042,780)
Retirement benefit expense	13	1,383,120	1,959,039
Interest income on due from related party	9	(615,432)	-
Depreciation and amortization	6	154,197	231,052
Loss on disposal of property and equipment		16,728	78,737
Loss on write-off of receivables	3	-	11,392,780
Operating loss before changes in working capital		(63,583,897)	(46,626,612)
Changes in working capital:			
Receivables		(2,091,218)	399,629
Prepayments and other current assets		(3,295,846)	(2,947,654)
Accrued expenses and other current liabilities		(1,516,152)	(31,638,742)
Due to related parties		(281,690)	(223,989)
Cash absorbed by operations		(70,768,803)	(81,037,368)
Interest received from bank deposits	2	2,332	375,535
Retirement benefits paid	13	-	(1,895,608)
Net cash used in operating activities		(70,766,471)	(82,557,441)
Cash flows from investing activities			
Dividends received	5,9	551,235,123	559,609,018
Loan to a related party	9	(277,500,000)	-
Interest received from short-term placements	2	3,395,354	667,245
Interest received on due from related party	9	319,715	-
Additions to property and equipment	6	(161,321)	-
Subscription of shares of subsidiaries	1,9	-	(20,000,000)
Net cash provided by investing activities		277,288,871	540,276,263
Cash flows from financing activities			
Cash distributions of profits	11	(401,855,091)	(401,955,091)
Acquisitions of treasury shares	11	(69,356,224)	(2,040,000)
Net cash used in financing activities		(471,211,315)	(403,995,091)
Net increase (decrease) in cash and cash equivalents		(264,688,915)	53,723,731
Cash and cash equivalents as at January 1		428,377,498	374,653,767
Cash and cash equivalents as at December 31	2	163,688,583	428,377,498

The notes on pages 1 to 36 are integral part of these separate financial statements.

Concepcion Industrial Corporation

Notes to the Separate Financial Statements

As at and for the years ended December 31, 2022 and 2021

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General Information

1.1 Registration and business

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

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

The Company's shares are publicly traded in the Philippine Stock Exchange. Accordingly, the Company is considered a public company under the Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public corporation as any corporation with a class of equity securities listed on an exchange, or with assets in excess of P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

As at December 31, 2022, the Company has at least 15 shareholders (2021 - 17) each holding 100 or more shares with certain securities still held by nominees and brokers and have not been dislodged as at report date.

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

1.2 Significant business developments

Cortex Technologies Corporation (CTC)

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

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

Alstra Incorporated (Alstra)

On July 23, 2019, the SEC approved the reclassification of 50,000,000 unissued shares of common stock to preferred stock and the corresponding amendment of the Articles of Incorporation. Subsequently, Alstra issued to its Parent Company, preferred shares at a premium over par value at P20 per share for a total subscription price of P915 million.

Teko Solutions Asia Inc. (Teko)

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

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

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

Tenex Services, Inc. (Tenex)

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

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

1.3 Corona Virus (COVID-19)

As the consumer and business activities start to normalize, the Company has assessed that the current situation would not result in any significant loss of business that may cause impairment of its assets for the year 2022 nor impact the Company's ability to meet its obligations as reflected in the financial statements. As at reporting date, the Company believes that there are no asset impairment indicators, and liquidity risk is low.

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

On March 29, 2023, the Company's BOD approved and authorized the issuance of the separate financial statements of the Company for the year ended December 31, 2022.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash on hand	20,000	20,000
Cash in banks	1,668,583	4,357,498
Short term placements	162,000,000	424,000,000
	<u>163,688,583</u>	<u>428,377,498</u>

Cash in banks earn interest at the prevailing bank deposit rates while cash equivalents represent short-term placements that earn an average interest of 2.75% and 1.00% in 2022 and 2021, respectively. Interest income earned from cash and cash equivalents for the year ended December 31, 2022 amounted to P3,290,931 (2021 - P1,042,780).

Note 3 - Receivables

Receivables as at December 31 consist of:

	Note	2022	2021
Due from related parties	9	279,760,739	901,888
Advances to suppliers		4,464,348	3,370,170
Accrued interest		288,000	394,756
Advances to employees		22,833	62,226
Others		23,300	50,000
		<u>284,559,220</u>	<u>4,779,040</u>

Advances to suppliers represent claims for goods yet to be delivered or services yet to be rendered. In 2021, advances to a third party amounting to P11,392,780 were written-off as it was assessed by the management as uncollectible.

Accrued interest represents the amount earned by the Company's short-term placement for the month of December and is normally credited to its account in the subsequent month.

Other receivables represent security deposit to HMO provider in 2022 (2021 - advances paid to vendors for the subsequent year kick-off activities of the Company).

Note 4 - Prepayments and other current assets

Details of prepayments and other current assets as at December 31 are as follows:

	2022	2021
Input value added tax (VAT), net of output VAT	16,474,611	14,163,654
Prepaid taxes	4,571,315	3,428,893
Prepaid expenses	1,816,347	1,735,024
Others	-	238,856
Balance at December 31	22,862,273	19,566,427

Prepaid expenses include payments made for insurances and subscriptions expected to be used within 12 months after reporting date.

Note 5 - Investments in subsidiaries and an associate

Investments in subsidiaries, with direct ownership, and an associate as at December 31 consist of:

	Country of incorporation	Percentage of ownership	2022	2021
Subsidiaries				
CCAC	Philippines	60	1,445,879,634	1,445,879,634
CDI	Philippines	100	1,022,848,080	1,022,848,080
Alstra	Philippines	100	1,040,450,000	1,040,450,000
Concepcion Business Services, Inc. (CBSI)	Philippines	100	120,000,000	120,000,000
CTC	Philippines	100	215,625,000	215,625,000
			3,844,802,714	3,844,802,714
Associate				
Concepcion Midea, Inc. (CMI)	Philippines	40	110,000,000	110,000,000
			3,954,802,714	3,954,802,714

As at December 31, 2022 and 2021, the following were considered subsidiaries of the Company through indirect ownership:

	Country of incorporation	Percentage of indirect ownership		Year of Acquisition
		2022	2021	
Subsidiaries				
COPI	Philippines	51	51	2014
Teko Solutions Asia, Inc. (Teko)	Philippines	58	58	2018
Tenex	Philippines	80	49	2022

5.1 Subsidiaries with direct ownership

5.1.1 CCAC

CCAC was organized primarily to engage in the manufacture, sales (except retail), distribution, installation and service of heating, ventilating and air conditioning (HVAC) products and HVAC services.

The following are the summarized financial information of CCAC as at and for the years ended December 31 (in thousands):

	2022	2021
Current assets	5,397,248	5,619,552
Non-current assets	820,413	870,364
Current liabilities	(2,397,898)	(2,562,592)
Non-current liabilities	(431,068)	(471,816)
Total equity	(3,388,695)	(3,455,508)
Revenue	7,666,532	7,047,279
Net income for the year	433,576	487,777
Other comprehensive income	4,860	32,423
Total comprehensive income	438,436	520,200
Cash provided by operating activities	116,876	759,306
Cash used in investing activities	(25,783)	(26,660)
Cash used in financing activities	(649,251)	(657,977)

For the year ended December 31, 2022, the Company earned from its investment in CCAC dividends amounting to P303.1 million (2021 - P282.2 million) (Note 9).

5.1.2 CDI

CDI was organized primarily to engage in the manufacture, export, wholesale, retail, buy, trade and/or otherwise deal in various appliances as well as all kinds of machineries, equipment and/or appliances of any kind or description and related parts thereof.

For the year ended December 31, 2022, the Company earned dividend from its investment in CDI amounting to P207.3 million (2021 - P195.4 million) (Note 9).

5.1.3 CBSI

CBSI was incorporated to render various corporate back-office support services including but not limited to, bookkeeping, accounting, business consultancy, governance, risk management and assurance, financial planning, reporting and analytics, human resources, and information technology services, directly or through duly licensed service providers and/or professionals, where necessary, exclusively for CIC, its subsidiaries, affiliates and/or related companies.

5.1.4 CTC

CTC was organized primarily to engage in the following services: (a) undertake research, development and commercialization of new, existing or emerging technology, (b) design, create, build, test, customize, upgrade, manufacture and sell prototypes and finished products, (c) process, analyze and share data gathered from such products, (d) charge commission for in-app purchase, (e) render services to support above activities, (f) enter into partnerships, joint ventures or other business relationships.

5.1.5 Alstra

Alstra was organized primarily to engage in the business of consultancy, construction, design and engineering and supply of equipment for mechanical, electrical, plumbing and fire protection services, and to engage in the business of facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services.

For the year ended December 31, 2022, the Company earned dividend from its investment in Alstra amounting to P40.8 million (2021 - P82.0) (Note 9).

5.2 **Investment in an associate**

CMI

CMI was incorporated primarily to engage in the manufacture, sale, distribution, installation and services of all types of electrical appliances in the Philippines; and otherwise to do all things reasonably necessary or incidental thereto, or advisable in connection therewith, including the ownership of interests in corporations or other entities in furtherance thereof.

The following are the summarized financial information of CMI as at and for the years ended December 31 (in thousands):

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

5.3 **Subsidiaries and an associate with indirect ownership**

5.3.1 COPI (Subsidiary)

COPI was organized primarily to import, buy and sell at wholesale, distribute, maintain and repair, elevators, escalators, and all supplies, materials, tools, machinery and parts/components thereof.

As at December 31, 2022 and 2021, the Company effectively owns 51% of COPI through Alstra which holds 51% of COPI's common shares.

The following are the summarized financial information of COPI as at and for the years ended December 31 (in thousands):

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

5.3.2 Teko (Subsidiary)

Teko was incorporated to provide information technology solutions, I.T. enabled services, e-commerce, web design, and applications, to enterprise, consumers, businesses, institutions and other end-users without engaging in mass media, advertising nor in telecommunication activities.

The following are the summarized financial information of Teko as at and for the years ended December 31 (in thousands):

	2022	2021
Current assets	15,361	7,819
Non-current assets	13,919	13,500
Current liabilities	(69,762)	(47,176)
Non-current liabilities	(2,632)	(2,463)
Total capital deficiency	43,114	28,320
Revenue	34,364	24,497
Net loss for the year	(15,450)	(22,623)
Other comprehensive income (loss)	656	(447)
Total comprehensive loss	(14,794)	(23,070)
Cash used in operating activities	(20,203)	(5,511)
Cash used in investing activities	(431)	(536)
Cash provided by financing activities	17,040	4,544

5.3.3 Tenex (Subsidiary)

On April 25, 2019, Tenex Services, Inc. (Tenex), was incorporated primarily 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 but not limited to construction and mechanical maintenance services.

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

The effective percentage of ownership of Alstra Inc. in Tenex increased from 49% to 80% resulting in the adoption of the accounting method from equity to cost method and the change in classification of investment from associate to subsidiary.

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

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

5.3.4 Teko SG (Associate)

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 yet started commercial operations. As at and for the years ended December 31, 2022 and 2021, the transactions and balances of Teko SG are limited to cash and equity of USD 3. No additional transaction was made in 2022.

Note 6 - Property and equipment, net

Details and movements of property and equipment, net as at and for the years ended December 31 are as follows:

	Furniture, fixtures and office equipment	Leasehold improvements	Transportation equipment	Total
Cost				
At January 1, 2022	526,093	199,190	260,746	986,029
Addition	161,321	-	-	161,321
Disposal	(81,249)	-	-	(81,249)
At December 31, 2022	606,165	199,190	260,746	1,066,101
Accumulated depreciation				
At January 1, 2022	478,163	199,190	181,389	858,742
Depreciation and amortization	74,840	-	79,357	154,197
Disposal	(64,521)	-	-	(64,521)
At December 31, 2022	488,482	199,190	260,746	948,418
Net book values as at December 31, 2022	117,683	-	-	117,683
Cost				
At January 1, 2021	526,093	199,190	393,993	1,119,276
Disposal	-	-	(133,247)	(133,247)
At December 31, 2021	526,093	199,190	260,746	986,029
Accumulated depreciation				
At January 1, 2021	413,436	199,190	69,574	682,200
Depreciation and amortization	64,727	-	166,325	231,052
Disposal	-	-	(54,510)	(54,510)
At December 31, 2021	478,163	199,190	181,389	858,742
Net book values as at December 31, 2021	47,930	-	79,357	127,287

The cost of fully depreciated assets still in use at December 31, 2022 amounted to P904,780 (2021 - P535,882).

In 2022 and 2021, the disposal pertains to a transfer of a computer hardware and a vehicle, respectively to a former key management personnel and was treated as a non-cash activity for cash flows purposes.

Note 7 - Investment property

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

The estimated fair value of the investment property as at December 31, 2022 and 2021 amounted to P37,520,000, based on the recent selling price per square meter.

In 2018 and 2019, the Company paid a total of P2,734,900 to a sub-contractor for direct costs related to planned construction of an investment property which is booked as construction in progress under the investment property account. There were no further costs incurred in 2022 and 2021.

There was no income earned related to the property for the years ended December 31, 2022 and 2021. Further, direct operating expense amounting to P30,720 for the investment property was incurred in 2022 (2021 - P28,515).

Note 8 - Accrued expenses and other current liabilities

Accrued expenses and other current liabilities as at December 31 consist of:

	2022	2021
Accrued outside services	25,452,668	10,117,393
Accrued bonuses	12,875,048	16,819,532
Benefits of directors, officers and employees	3,380,024	4,867,853
Accrued legal and professional fees	2,692,565	1,600,917
Payable to suppliers	999,939	3,438,545
Payable to government and other regulatory agencies	609,119	726,852
Other liabilities	816,163	2,081,378
	46,825,526	39,652,470

Payable to suppliers pertain to the Company's events in 2022 and website redesign in 2021.

Note 9 - Related party transactions

In the normal course of business, the Company transacts with other companies, which are considered related parties under Philippine Accounting Standards (PAS) 24, "Related Party Disclosures."

The table below summarizes the Company's transactions and balances with its related parties for the years ended December 31.

Related party	2022		2021		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Due from related parties					
Shareholders					
Reimbursements	367,610	613,196	568,926	857,060	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
Subsidiaries					
Dividend income	551,235,123	-	559,609,018	-	These are unsecured and non-interest bearing receivable in cash within 12 months upon declaration of subsidiary (Note 5).
Loan	277,500,000	277,500,000	-	-	These are receivable in cash within 12 months. These receivables are unsecured and interest bearing.
Interest	615,432	295,717	-	-	These are interest related to loans and receivable in cash within 30 days.
Reimbursements	22,662,854	204,452	34,450,337	44,828	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
Deposit for future stock subscription	-	20,000,000	20,000,000	20,000,000	Refer to Note 1.
Associate					
Reimbursements to an associate	1,467,399	1,147,374	575,635	-	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
		299,760,739		20,901,888	
Due to related parties					
Shareholders					
Dividend declaration	401,855,091	-	401,955,091	-	These are payable in cash within 12 months from reporting date (Note 11).
Reimbursements from shareholders	1,156,739	(1,156,739)	(1,156,739)	-	These are payable in cash and are due upon demand. These are non-interest bearing and not covered by any guarantee.
Subsidiaries					
Reimbursements from subsidiary	17,701,375	(116,152)	3,798,475	(991,201)	These are payable in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any guarantee.
Associate					
Reimbursements from associate	12,836	-	-	-	These are payable in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any guarantee.
		(1,272,891)		(991,201)	
Key management personnel					
Directors' fees					
Directors' fees	1,917,832	(2,952,158)	3,367,735	(4,329,334)	These are payable in cash and are due within 30 to 60 days from date of each transaction. These are non-interest bearing and not covered by any guarantee. These are payable to directors in cash before end of April of the subsequent year with corresponded BOD's approval. These are non-interest bearing and not covered by any guarantee.
Salaries and wages	8,869,251	(2,865,450)	8,591,307	(2,729,000)	These are payable to employees in cash within 30 days from date of each transaction. These are non-interest bearing and not covered by any guarantee.
Retirement benefits	852,813	(21,336,671)	812,203	(19,509,104)	Refer to Note 13.

Reimbursements pertain to cross-charges to subsidiaries which are billed at 1% mark up. The amount presented is the total gross receipts, net of direct expenses.

Balances due from related parties are fully recoverable with no impairment loss recognized (Note 3). Balances due are settled/collected at gross (Note 16.5).

Note 10 - Income taxes

Corporate Recovery and Tax Incentives for Enterprises (CREATE)

On March 26, 2021, Republic Act No. 11534 otherwise known as the Corporate Recovery and Tax Incentives for Enterprises or 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 as follows:

- Regular corporate income tax (CIT) rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020;
- 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; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

For the year ended December 31, 2022 and 2021, the Company applied the RCIT rate of 25% and MCIT rate of 1%.

Realization of the future benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The Company's management has considered these factors in arriving at its conclusion not to recognize deferred income tax assets as at December 31, 2022 and 2021. Details of unrecognized deferred income tax assets as at December 31 are as follows:

	2022	2021
Deferred tax assets		
Net operating loss carry-over (NOLCO)	64,035,924	83,332,432
Accrued bonuses	3,218,762	4,204,883
Accrued expenses	7,881,312	4,146,541
Retirement benefit obligation	5,411,817	4,117,242
Minimum corporate income tax (MCIT)	23,065	637,233
	80,570,880	96,438,331

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

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

Details of NOLCO as at December 31 are as follows:

Year incurred	Year of expiration	2022	2021
2018	2021	-	122,533,876
2019	2022	136,293,406	136,293,406
2020	2025	116,494,195	116,494,195
2021	2026	80,542,128	80,542,128
2022	2025	59,107,375	-
		392,437,104	455,863,605
Expired during the year		(136,293,406)	(122,533,876)
Total NOLCO		256,143,698	333,329,729
Tax benefit at 25% tax rate		64,035,924	83,332,432

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

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

Year incurred	Year of expiration	2022	2021
2018	2021	-	3,146
2019	2022	622,608	622,608
2020	2023	10,888	10,888
2021	2024	3,737	3,737
2022	2025	8,440	-
		645,673	640,379
Expired during the year		(622,608)	(3,146)
Total MCIT		23,065	637,233

Income tax expense for the year ended December 31, 2022 represents MCIT.

Reconciliation of income tax expense computed at the statutory income tax rate to actual income tax expense for the years ended December 31 are as follows:

	2022	2021
Income tax at statutory rate of 25%	120,189,849	121,905,518
Add (Deduct) tax effects of:		
Unrecognized NOLCO	14,776,844	23,899,020
Movement in unrecognized deferred tax assets	3,094,431	(8,489,783)
Non-deductible expenses	570,390	2,848,195
MCIT directly charged to expense	8,440	3,737
Interest income subject to final tax	(822,733)	(260,695)
Non-taxable dividend income	(137,808,781)	(139,902,255)
Income tax expense at effective tax rate	8,440	3,737

Note 11 - Equity

11.1 Share capital, share premium and treasury shares

Details and movements of share capital as at December 31 are as follows:

	No. of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2021	401,955,091	407,263,891	993,243,008	(170,068,440)
Acquisition of treasury shares	(100,000)	-	-	(2,040,000)
December 31, 2021	401,855,091	407,263,891	993,243,008	(172,108,440)
Acquisition of treasury shares	(3,942,600)	-	-	(69,356,224)
December 31, 2022	397,912,491	407,263,891	993,243,008	(241,464,664)

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

Trade Date	Date Paid	Shares	Per share	Amount
January 1, 2021		5,308,800		170,068,440
May 26, 2021	May 31, 2021	100,000	20.40	2,040,000
		100,000		2,040,000
2022				
April 13, 2022	April 20, 2022	200,000	19.56	3,912,000
May 10, 2022	May 13, 2022	395,500	18.99	7,511,500
May 16, 2022	May 19, 2022	21,500	18.00	387,000
May 16, 2022	May 19, 2022	77,000	18.50	1,424,500
May 18, 2022	May 23, 2022	269,600	18.94	5,106,224
July 21, 2022	July 26, 2022	300,000	18.24	5,472,000
August 17, 2022	August 22, 2022	1,176,000	17.00	19,992,000
September 02, 2022	September 07, 2022	751,500	17.00	12,775,500
September 02, 2022	September 07, 2022	751,500	17.00	12,775,500
		3,942,600		69,356,224
		9,251,500		241,464,664

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

11.2 Retained earnings; subsequent event

Cash dividends declared for the years ended December 31 are as follows:

Date declared	Record date	Payment date	Per share	2022	2021
February 16, 2022	March 17, 2022	April 12, 2022	1.0	401,855,091	-
February 10, 2021	March 12, 2021	April 12, 2021	1.0	-	401,955,091

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

Note 12 - Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares, if any. There were no stock splits nor stock dividends that should be considered in determining issued ordinary shares.

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

	2022	2021
Net income for the year	480,750,956	487,618,334
Weighted average common shares - basic and diluted	400,161,134	401,920,296
Basic and diluted earnings per share	1.20	1.21

Note 13 - Retirement plan

The retirement plan established by CIC in 2014 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 plan. This 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.

The principal annual actuarial assumptions used as at December 31 are as follows:

	2022	2021
Discount rate	5.50%	3.10%
Salary increase rate	3.70%	3.70%
Average expected future service years of plan members	10.30	11.30

The discount rate assumption is 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 market by stripping the coupons from government bonds to create virtual zero-coupon bonds as of the valuation date, and considering the estimated timing and amount of projected benefit payments.

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

	2022	2021
Retirement benefit obligation	21,647,266	16,468,966
Retirement benefit expense	1,383,120	1,959,039

Retirement benefit expense was recognized in the statement of total comprehensive income under personnel costs.

The movements of present value of the defined benefit obligation for the years ended December 31 are as follows:

	2022	2021
January 1	16,468,966	21,536,542
Current service cost	872,582	1,265,562
Interest cost	510,538	693,477
Benefits paid directly by the Company	-	(1,895,608)
Remeasurement losses (gains)		
Changes in financial assumptions	(340,379)	(3,273,381)
Changes in demographic assumptions	-	27,851
Experience adjustments	4,135,559	(1,885,477)
December 31	21,647,266	16,468,966

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

Details of retirement benefit expense for the years ended December 31 are as follows:

	2022	2021
Current service cost	872,582	1,265,562
Interest expense	510,538	693,477
December 31	1,383,120	1,959,039

The movements of retirement benefit obligation recognized in the separate statements of financial position for the years ended December 31 are as follows:

	2022	2021
January 1	16,468,966	21,536,542
Retirement benefit expense	1,383,120	1,959,039
Remeasurement (gain) loss	3,795,180	(5,131,007)
Benefits paid directly by the Company	-	(1,895,608)
December 31	21,647,266	16,468,966

The movements of other comprehensive gains recognized in the separate statements of financial position for the years ended December 31 are as follows:

	2022	2021
January 1	6,489,905	1,358,898
Remeasurement gain (loss)	(3,795,180)	5,131,007
December 31	2,694,725	6,489,905

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

	2022	2021
Less than a year	22,604,722	21,061,975
More than 1 year up to 5 years	30,599	24,218
More than 5 years up to 10 years	48,195	42,253
	22,683,516	21,128,446

Note 14 - Financial risk and capital management

14.1 Financial risk factors

The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company's management under policies approved by its BOD. These policies provide written principles for overall risk management. There are no changes in the Company's risk management plans for the years ended December 31, 2022 and 2021.

14.1.1 Market risk

(a) Foreign exchange risk

The Company is not exposed to significant foreign exchange risk since the Company has no transactions that are denominated in currencies other than the Philippine Peso, its functional currency.

(b) Price risk

The Company is not exposed to significant price risk due to the absence of material security investments and is not subject to commodity price risk.

(c) Cash flow and fair value interest risk

The Company 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 on long-term borrowings and investments. Management believes that the related cash flow risk on short-term placements is relatively low due to immaterial changes on interest rates within the duration of these financial instruments.

14.1.2 Credit risk

Credit risk arises from cash for its deposits and short-term placements with banks, as well as credit exposure to outstanding receivables and due from related parties, except for advances to suppliers and advances to employees, which are classified as financial assets at amortized cost. For banks, the Company only has existing arrangements with either universal or commercial banks, which are considered top tier banks in terms of capitalization as categorized by the Philippine Banking System (Note 2).

Advances to employees consist of cash and product loans obtained from the Company which are payable through salary deduction.

While cash and cash equivalents are subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

Moreover, the Company's outstanding receivables and due from related parties which are measured at amortized cost are subject to the expected credit loss model. Based on the Company's analysis, it has a degree of concentration of credit risk since a significant portion of its receivables is attributed only to few debtors, primarily related parties, which are either subsidiaries or entities under common control. The Company's assessment resulted to a conclusion that the expected credit loss is close to zero percent (0%) as potential default and non-payment, considering both historical and forward-looking information, resulted to be remote as these entities have certain common management personnel and with no history of default and strong financial position to settle maturing obligations as they fall due.

As at December 31, 2022 and 2021, outstanding receivables and due from related parties are considered current with no balances identified as past due or impaired.

The maximum exposure to credit risk at reporting date is the carrying values of each financial asset as presented in the separate statement of financial position.

14.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its operating cash requirements. The Company monitors liquidity reserve on the basis of expected cash flows and seeks to collect amounts due from related parties on a timely basis to ensure availability of funds.

The Company's financial liabilities consist of accrued expenses and other current liabilities (excluding payable to government and other regulatory agencies) and due to related parties. Entire balance of financial liabilities is due within 12 months from reporting date. The amounts disclosed are the contractual undiscounted cash flows which equal their carrying amounts as the impact of discounting is not significant due to its short-term nature. Management expects to settle these obligations in accordance with their maturity dates.

14.2 **Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is the total equity as shown in the separate statements of financial position, excluding other comprehensive income.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. The Company is not subject to externally imposed capitalization requirements other than required public float of at least 20% of issued and outstanding shares, exclusive of any treasury shares. The Company is compliant with this requirement as at December 31, 2022 and 2021.

14.3 **Fair value estimation of financial assets and liabilities**

Due to the short-term nature of the transactions, the carrying values of each financial asset and liability including cash and cash equivalents, accrued expenses and other current liabilities excluding payable to government and other regulatory agencies and due to/from related parties as at the reporting dates approximate their fair values. The Company does not hold financial instruments traded in active market which might be affected by quoted market prices at reporting date. In addition, the Company has no financial assets or liabilities that are measured and carried at fair value in the separate statements of financial position.

Note 15 - 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 Company makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

15.1 Critical judgments in applying the Company's accounting policies

15.1.1 Impairment of investments in subsidiaries and an associate

Investments in subsidiaries and an associate are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the value in use of assets requires the estimation of cash flows expected to be generated in maintaining and ultimate disposition of such investments. The results of operations of each subsidiary and the carrying values of the assets could be materially affected by updates in assumptions and judgments used in the cash flow projections driven by significant changes in business operations and strategies of each subsidiary and associate. Correspondingly, these may significantly affect the Company's investment balance with any provision or write-off directly charged to the statement of total comprehensive income through profit or loss. Accordingly, in the absence of any indicators identified and assessment of subsidiaries and associates' operations, the Company did not recognize any provision for impairment on its investments. The details of investments in subsidiaries and an associate are shown in Note 5.

15.1.2 Impairment of receivables

Due from related parties and outstanding receivables are assessed based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward looking information. As a result of their assessment, the Company did not recognize any provision for impairment of receivables given that the expected credit loss rate is close to zero percent (0%). Details for the analysis are discussed in Note 14:1.2.

15.1.3 Accrued bonus

Accrued bonus is estimated based on a formula that takes into consideration the profit attributable to the Company after certain adjustments and employee's performance. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The details of the accrued bonus are shown in Note 8.

15.1.4 Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business.

The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied.

The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its deferred income tax assets to be utilized during the periods in which these are expected to be recovered. The components of unrecognized deferred income tax assets are shown in Note 10.

15.2 Critical accounting estimates and assumptions

15.2.1 Provision for retirement benefits

The determination of the Company'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 13, include among others, discount rate and salary increase rate. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the pension benefit obligation estimated at the reporting date may differ significantly from the amount reported.

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 as at December 31 are presented below:

	2022		2021	
	%	Impact	%	Impact
Decrease due to 100 basis point (bps) increase in discount rate	(0.6%)	(126,431)	(1.1%)	(216,685)
Increase due to 100 bps decrease in discount rate	0.6%	132,967	1.2%	228,077
Increase due to 100 bps increase in salary increase rate	0.6%	134,077	1.1%	224,495
Decrease due to 100 bps decrease in salary increase rate	(0.6%)	(129,857)	(1.1%)	(217,508)
Increase due to zero attrition rates	0.0%	(6,109)	0.1%	15,353

Note 16 - Summary of significant accounting policies

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

16.1 Basis of preparation

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

The Company also prepares consolidated financial statements, which include the Company and its subsidiaries, namely CCAC, CDI, CBSI, COPI, CTC, Alstra, Teko, and Tenex. These separate financial statements should be read together with the Company's consolidated financial statements, in order to obtain full information on the financial position, results of operations and changes in financial position of the Company as a whole. The consolidated financial statements of the Company can be obtained from the SEC or from the Company's website: <http://www.cic.ph>.

These separate financial statements have been prepared under the historical cost convention.

The preparation of these separate 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 Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 15.

Changes in accounting policy and disclosures

(a) New interpretation and amended standards adopted by the Company

The Company has applied the following standard for the first time for their annual reporting period commencing January 1, 2022:

- *Property, Plant and Equipment: Proceeds before intended use - Amendments to PAS 16 (effective January 1, 2022)*

The amendment to PAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- *Onerous Contracts - Cost of Fulfilling a Contract: Amendments to PAS 37 (effective January 1, 2022)*

The amendment to PAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- *Annual Improvements to PFRS Standards 2018-2020 (effective January 1, 2022)*

The following improvements were finalised in May 2020:

- PFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- PFRS 16 Leases - amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- PFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.
- PAS 41 Agriculture - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis

The amendments do not have a significant impact on the financial statements of the Company.

(b) New standards, amendments and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Company. None of these, standards, amendments and interpretation is expected to have a significant impact on the Company's financial statements except for:

- *Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (effective January 1, 2023)*

The narrow-scope amendments to PAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. It must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- *Disclosure of Accounting Policies - Amendments to PAS 1 and PFRS Practice Statement 2 (effective January 1, 2023)*

The IASB amended PAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended PFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- *Definition of Accounting Estimates - Amendments to PAS 8 (effective January 1, 2023)*

The amendment to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to PAS 12 (effective January 1, 2023)*

The amendments to PAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize 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 recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

PAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Company is still assessing the impact of the above new, amendments and interpretations to existing standards. However, initial assessment is that adoption of these are not expected to significantly impact the Company's financial reporting. All other standards, amendment and interpretations effective after December 31, 2022 are not considered relevant to the Company.

16.2 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.

16.3 Receivables

Receivables are amounts due from debtors in the ordinary course of business. Receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment, if any. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current assets.

Other receivables generally arise from transactions outside the usual operating activities of the Company. Collateral is not normally obtained. The non-current other receivables are due and payable upon retirement of the employees transferred from a subsidiary to the Company.

The Company's financial assets that are subject to expected credit loss model include only financial assets measured at amortized cost. The Company applies the 12-month ECL approach to measure expected credit losses. To measure the expected credit losses, the receivables have been companied based on shared credit risk characteristics. The expected loss rates are based on the qualitative and quantitative assessment for the Companyed receivables. Inputs used in determining the expected credit loss rates include the historical loss rates, reflecting current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their obligation. The Company has identified that inflation rate is the most relevant macroeconomic factor that must be considered in calculating their expected credit loss rate. Qualitatively, the Company assesses any changes in the credit risk for the receivables to determine whether impairment should be measured using the lifetime ECL. Changes in credit risk may include the following: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. In determining the amount of provision, the expected credit loss rate is applied to the gross carrying amount of the receivable.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized within expenses in profit or loss. When a receivable remains uncollectible after the Company has exerted all legal remedies, it is written off against the allowance account for receivables. 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 the amounts previously written off are credited to operating expenses in profit or loss.

16.4 Prepayments and other current assets

Prepayments, which are carried at cost, are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption. Prepayments and other current assets are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve (12) months after the reporting period which are classified as non-current assets.

Prepayments and other current assets include input value-added tax (VAT) and creditable withholding taxes which are recognized as assets in the period such input VAT and income tax payments become available as tax credits to the Company and carried over to the extent that it is probable that the benefit will flow to the Company.

16.5 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 Company recognizes a financial instrument in the statements of financial position, when and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company 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 Company 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 Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.

(ii) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company'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 Company'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 Company 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 Company applies the simplified approach permitted by PFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Financial liabilities

(a) Classification

The Company classifies its financial liabilities at initial recognition in the following categories: at FVPL and other financial liabilities.

(i) Financial liabilities at FVPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Company as at FVPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

A financial liability is classified as financial liability at fair value through profit and loss upon initial recognition if: such designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise; the financial liability forms part of Company of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about Companying is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and PFRS 9 permits the entire combined contract (asset or liability) to be designated as fair value through profit or loss.

(ii) Other financial liabilities

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include accrued expenses and other current liabilities (excluding payables to government and other regulatory agencies) and due to related parties. These are included in current liabilities except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

(b) Initial recognition and derecognition

Financial liabilities are carried at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized as expense in profit or loss. Other financial liabilities are initially recognized at fair value of the consideration received plus directly attributable transaction costs. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(c) Subsequent measurement

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Derivatives are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains or losses arising from changes in the fair value are presented in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party. As at December 31, 2022 and 2021, there are no financial assets and liabilities that were offset.

16.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active market is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Note that under PFRS 13, the use of bid and asking prices is still permitted but not required. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

For non-financial assets, the Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a company of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As at December 31, 2022 and 2021, the Company does not hold financial and non-financial assets and liabilities at fair value.

16.7 Investments in subsidiaries and an associate

16.7.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

The Company applies the acquisition method to account for business combinations that are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred from the former owners of the acquiree and the equity interests issued by the Company. 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 Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest'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 Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest 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, non-controlling interest 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.

Investments in subsidiaries are stated at cost less impairment in value, if any, in the separate financial statements. Under this method, investments are recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee company arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment. Dividends or distributions of profits are recognized when the right to receive dividends or distributions has been established.

Investment in subsidiary is derecognized upon disposal or loss of control over a subsidiary. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized through profit or loss. Upon loss of control, the investment account is measured at fair value and any difference between carrying amount and the fair value of investment is recognized in profit or loss.

16.7.2 Associate

An associate is an entity over which the Company has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in an associate is accounted for at cost following the provisions of PAS 27, Separate Financial Statements. This investment is stated at cost less impairment in value, if any, in the Company's financial statements. Under this method, the Company recognizes income from the investment only to the extent that the Company receives distribution from accumulated profits of the associate arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

The Company recognizes dividend income from investment in profit and loss when its right to receive dividends has been established.

Investment in associate is derecognized upon disposal or loss of significant influence over an associate. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss. Upon loss of significant influence, the investment account is measured at fair value, any difference between carrying amount and the fair value of investment is recognized in profit or loss.

16.7.3 Subscription receivables

Subscription receivables represent amounts paid to subsidiaries which will be settled by way of issuance of a subsidiary's own shares at a future date. These are recognized upon receipt of cash and measured at face value or nominal amount. This deposit is derecognized once share has been issued.

16.8 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.

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 Company 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 period in which they are incurred.

Depreciation and amortization is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives (in years):

Leasehold improvements	5 or lease term whichever is shorter
Transportation equipment	5
Furnitures, fixtures and office equipment	2 to 5

Major renovations are depreciated over the remaining useful life of the related asset.

The assets' residual values, useful lives and depreciation and amortization method are reviewed and adjusted, as appropriate, at each reporting date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount (Note 16.10).

The carrying amount of an item of property and equipment is derecognized on disposal; or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation are removed from the accounts. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

16.9 Investment property

Investment property, consisting of a parcel of land, is recognized at cost less impairment, if any. Land is not depreciated. Investment property is recognized as an asset, when it is probable that the future economic benefits that are associated with the investment property will flow to the Company and cost of the investment can be measured reliably. The cost of investment property includes costs incurred initially to acquire the asset and costs incurred subsequently to add to, replace part of, or service a property.

Investment property is tested for impairment once indicators of impairment are present. The carrying amount of the investment property is written down immediately to its recoverable amount if the former is greater than its estimated recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For purposes of assessing impairment of the investment property, fair value less cost to sell is based on the best information available to reflect the amount that the Company would obtain, at the reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the cost of disposal. In determining this amount, the Company considers the outcome of recent transaction for similar property within the same location. In assessing the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its use or disposal. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized through profit or loss in the year of disposal.

16.10 Impairment of non-financial assets

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 Company 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 assessed at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 cash-generating unit in prior years. A reversal of an impairment is recognized immediately to profit or loss.

16.11 Current and deferred income tax

Income tax expense for the period normally comprise of current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, a deferred tax is also recognized in other comprehensive income or directly in equity, unless there is no expected probable future economic benefit for a deferred tax asset position.

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 provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate 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 tax asset is realized or the deferred 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 (MCIT), to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are derecognized when the relevant temporary differences are realized/settled or recoverability is no longer probable.

16.12 Leases

The Company is the lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

(a) Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company'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 Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally amortized over the shorter of the asset's useful life of between three (3) to (ten) 10 years and the lease term on a straight-line basis. If the Company 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 BPI Company 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) Residual value guarantees

The Company provides residual value guarantees for some lease contracts. The Company initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability.

(e) 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.

16.13 Accrued expenses and other current liabilities

Trade payables and other liabilities are recognized in the period in which the related goods or services are received or when a legally enforceable claim against the Company is established. These are classified as current liabilities if payment is due within one (1) year or less. If not, they are presented as non-current liabilities. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Accrued expenses and other current liabilities are derecognized when the obligation is discharged, cancelled or has expired.

16.14 Provision and contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

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 obligation may be small. Provisions are derecognized when the obligation is settled, cancelled or has expired.

Provisions are measured at the present value of the expenditures expected to be required to settle the present 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 in the separate statement of total comprehensive income.

Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recognized in the separate financial statements but disclosed when an inflow of economic benefit is probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the separate financial statements.

16.15 Equity

16.15.1 Share capital

The Company's share capital is composed of common shares stated at par value. The amount of proceeds from the issuance or sale of common shares representing the aggregate par value is credited to share capital. Proceeds in excess of the aggregate par value of common shares, if any, are credited to share premium. After initial measurement, share capital and share premium are carried at historical cost and are classified as equity in the separate statements of financial position.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Additional capital received from potential shareholders for which no share capital is issued is recorded as deposit for future shares subscription. These are classified as part of equity if and only if all of the following elements are present:

- The unissued authorized share capital of the Company is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- There is shareholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

Otherwise, the deposits are presented as liability.

16.15.2. Treasury shares

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

16.15.3 Retained earnings

Retained earnings include current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

(a) Cash dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's BOD.

(b) Stock dividends

Dividend distribution to the Company's shareholders is recognized as an addition to share capital in the Company's financial statements in the period in which the dividends are approved by the Company's BOD.

16.16 Employee benefits

16.16.1 Retirement benefit obligation

The retirement plan of the Company is a non-contributory and of the defined benefit type. The liability recognized in the statements of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually by independent actuary using projected unit credit 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 obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income (loss) during the period in which they are incurred.

Past service costs are recognized immediately in profit or loss.

16.16.2 Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company 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 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 reporting date are discounted to present value. The related liability is derecognized when the obligation is discharged or cancelled.

16.16.3 Short-term employee benefits

The Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves, and bonuses. Bonuses are based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation. The related liability is derecognized when the obligation is settled, cancelled or has expired.

16.17 Earnings per share

16.17.1 Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares. In a capitalization 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.

16.17.2 Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. As at report date, the Company has no dilutive potential common shares.

16.18 Income and expense recognition

16.18.1 Income

The Company recognizes income when the amount of income can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met. Interest income is recognized on a time-proportion basis using the effective interest method. Other income is recognized when earned or realized. In relation to the Company's nature of operations, income mainly pertains to dividends declared by subsidiaries and associate, which is recognized when the right to receive payment is established.

16.18.2 Expenses

Expenses are charged to operations when incurred.

16.19 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions.

Such relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or their shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

16.20 Foreign currency transactions and translations

16.20.1 Functional and presentation currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The separate financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company.

16.20.2 Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

16.21 Subsequent events

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the separate financial statements where applicable. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

Note 17 - Supplementary information required by the Bureau of Internal Revenue (BIR)

The following information required by Revenue Regulation (RR) No. 15-2010 is presented for purposes of filing with the BIR and is not required in the basic financial statements.

17.1 Output VAT

The Company is VAT-registered and output VAT declared for the year ended December 31, 2022 amounted to P2,443,373 based on gross receipts of P20,361,445. The gross receipts mainly represent collection of income from services to related parties presented as miscellaneous income, net of direct expenses.

17.2 Input VAT

Movements in input VAT for the year ended December 31, 2022 are as follows:

Beginning balance	13,762,108
Domestic purchase of services	5,433,523
Domestic purchase of goods	53,648
Output VAT applied	
From current year income	(2,443,373)
Total input VAT	16,805,906

17.3 Importations

The Company had no import transactions that are subject to customs duties and tariffs for the year ended December 31, 2022.

17.4 Documentary stamp tax

The Company paid P31,807 documentary stamp taxes for the year ended December 31, 2022.

17.5 All other local and national taxes

All other local and national taxes paid and accrued for the year and lodged under taxes and licenses in the separate statement of total comprehensive income include the following:

	Total
Real property tax	30,720
Business permit	17,898
Community tax	644
BIR annual registration fee	500
	49,762

17.6 Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Final withholding tax	20,208,000	-	20,208,000
Withholding tax on compensation	10,086,442	364,838	10,451,280
Expanded withholding tax	1,624,121	43,829	1,667,950
Fringe benefit tax	457,846	189,364	647,210
	32,376,409	598,031	32,974,440

17.7 Tax cases and assessments

On February 2, 2022, the Company received a Subpoena Duces Tecum for the examination of its books covering the calendar year 2020 from BIR. The audit requirements were provided on February 11, 2022.

On May 2, 2022, the Company received the Notice of Discrepancy and a request letter to extend the filing of reply which was sent on May 6, 2022.

On June 1, 2022, the Company submitted the reply to the Notice of Discrepancy to the BIR.

The tax assessment of BIR pursuant to Letter of Authority No. eLA201700031248 dated October 15, 2020 for the calendar year 2019 amounting to P3,055,500, has been settled on November 28, 2022.

As at December 31, 2022, the Company still has an open tax assessment pursuant to Letter of Authority No. eLA201700044566.

CONCEPCION INDUSTRIAL CORPORATION (CIC) SUSTAINABILITY REPORT

**For the Period of
January 1, 2022 to December 31, 2022**

Contextual Information

Company Details	
Name of Organization	CONCEPCION INDUSTRIAL CORPORATION (CIC or the “Company”)
Location of Headquarters	Muntinlupa City
Location of Operations	Muntinlupa City Makati City Cabuyao, Laguna
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	Concepcion-Carrier Air-Conditioning Company (CCAC) Concepcion Durables, Inc. (CDI) Concepcion Midea, Inc. (CMI) Concepcion-Otis Philippines, Inc. (COPI) Concepcion Business Services, Inc. (CBSI) Cortex Technologies Corporation (CTC) Alstra Incorporated (AI) Teko Solutions Asia, Inc. (Teko) Tenex Services, Inc. (Tenex)
Business Model, including Primary Activities, Brands, Products, and Services	The Company is primarily a holding company which operates principally through its subsidiaries. It is one of the Philippines’ most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators, and has expanded its business beyond being a trusted expert in the air conditioning and refrigeration industries, toward becoming a complete consumer and building and industrial solutions company with a range of solutions and after-market service across multiple international and Philippine brands including Carrier, Toshiba, Condura, Kelvinator, Midea and Otis. These solutions are designed to serve a wide array of customers and structure types, from individuals and single families living in small residences to thousands of residents, visitors and workers spread across large residential towers and office buildings, entertainment facilities and commercial and industrial warehouses and factories. These solutions are also designed to meet a variety of different needs, such as durability, noise reduction features, aesthetical appeal, varying price points and customized features to match individual requirements. Moreover, many of the Company’s air conditioning and refrigeration solutions are designed to meet the growing demand for energy efficient technologies, and the Company

	offers and will continue to develop these technologies as the demand for such solutions grows and the benefit payback in terms of reduced energy consumption becomes more widely known and accepted. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. The Company believes that these after-market services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company’s air conditioning and refrigeration solutions from those of its competitors.
Reporting Period	<u>January 1, 2022 to December 31, 2022</u>
Highest Ranking Person responsible for this report	Raul Joseph Concepcion, Chairman and Chief Executive Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹
<p>Issues are ranked by the Company in accordance with the direct impact to its business, mission and core values, all of which influence the Company’s business decisions and activities.</p> <p>The Company re-energized its culture statements in 2021. The revised Mission is “Bringing Happy Spaces to Life”. On the other hand, the Company’s restated Core Values are “Innovating for Happier Outcomes”, “Going Above and Beyond”, “Doing the Right Thing”, “Making Customers Happy”, “Caring for the People and the Planet”, and “Doing Our Best Always”.:</p> <p>Innovating for Happier Outcomes. We are always looking for newer and better ways to ensure happier outcomes for the people we serve and so we look to the power of technology to make this happen.</p> <p>Going Above and Beyond. We strive for a sense of ownership that is about a willingness to go the extra mile with a sense of urgency to ensure that customers are always happy.</p> <p>Doing the Right Thing. We strive to do the right thing, the right way, all the time. In CIC, doing the right thing is non-negotiable.</p> <p>Making Customers Happy. We want our customers to be happy and stay happy because this ensures our success. Happy customers are good for business, so we are committed to learn more about them and find new and better ways to make them happy.</p>

¹ See [GRI 102-46](#) (2016) for more guidance.

Caring for the People and the Planet. We are keenly aware of our responsibility to future generations. And so, we promote the protection of the environment. We care for the people we serve and the people working in our organization. Their safety and progress matter to us.

Doing Our Best Always. We understand that when people buy our products, hire our services, they are counting on reliability, a job well done and solutions that can truly help them move forward in life. CIC employees are quality people our customers can always count on.

Material Sustainability Issues

Identified sustainability issues are as follows:

1. Economic
 - a. Economic Performance
 - b. Indirect Economic Impact
 - c. Anti-Corruption
2. Environmental
 - a. Environmental Compliance
3. Social
 - a. Employment
 - b. Training and Education
 - c. Labor-Management Relations
 - d. Relationship with Community
4. UN Sustainability Development Goals Contribution: Industry, Innovation and Infrastructure - Fostering innovation.

ECONOMIC

a. Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount ('000)	Units
Direct economic value generated (revenue)	13,175,073 (a)	PhP
Direct economic value distributed:		
a. Operating costs	3,359,970 (b)	PhP
b. Employee wages and benefits	1,371,269 (c)	PhP
c. Payments to suppliers, other operating costs	9,013,563 (d)	Php
d. Dividends given to stockholders and interest payments to loan providers	657,548 (e)	PhP
e. Taxes given to government	182,621 (f)	PhP
f. Investments to community (e.g., donations, CSR)	0 (g)	PhP

Notes:

- (a) Based on Audited Financial Statements (AFS), this is Net Sales

- (b) Based on AFS, this is Operating Expenses
- (c) Based on AFS, this is composed of Personnel Costs and are lodged under Cost of Services (114,813) and Operating Expenses (1,256,456)
- (d) Based on AFS, this is composed of total Cost of Sales and Services less Depreciation and Amortization of Property, Plant and Equipment, Amortization of Right-of-Use Assets, and Amortization of Intangibles
- (e) Based on AFS, this is composed of cash distribution of profits (643,155) and interest paid on short-term borrowings (14,393). Can be referred in the Statement of Cash Flows
- (f) Based on AFS, this is the net income tax paid. Can be referred in the Statement of Cash Flows.
- (g) Total donations to various institution.

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
<ul style="list-style-type: none"> • With “Doing our Best Always” and “Going Above and Beyond” as core values, Direct Economic Value Generated and Distributed, particularly, revenue from sales and value generated from business activities, is material as this directly impacts the lives of employees, the value generated for investors and their returns on investment, continued improvement of the quality of products and services, resilience of the organization, and contribution to the government and community. 	<ul style="list-style-type: none"> • Investors • Employees • Government • Suppliers and Service Providers • Consumers 	<ul style="list-style-type: none"> • Policies - The Company adheres to corporate governance principles under the prevailing Corporate Governance Code² and implements an Enterprise Risk Management Framework³ to set the strategy across the enterprise, identify potential events that may affect the entity and manage risk to be within its risk appetite, and to provide reasonable assurance regarding the achievement of entity objectives. • Responsibilities – Risk management function follows a governance structure that is inherent and supported at all organizational levels.⁴ • Commitments - For the covered period, the Company identified the following commitments and priorities: <ul style="list-style-type: none"> • Creating a safe environment for our people and households –
<p>What are the Risk/s Identified?</p>		
<ul style="list-style-type: none"> • The risks for CIC’s businesses are identified and detailed in Appendix A of the CIC 		

² Please refer to 2020 CIC Annual Corporate Governance Report: <https://www.cic.ph/download/cic-i-acgr-2020r/> and CIC Corporate Governance Manual: <https://www.cic.ph/download/revise-corporate-governance-manual/?wpdmdl=5452&refresh=5f28d88db12861596512397>

³ Please refer to CIC Enterprise Risk Management Framework: <https://www.cic.ph/download/policy-on-enterprise-risk-management/?wpdmdl=4624&ind=1563769085521>

⁴ Ibid. at Page 7

<p>Enterprise Risk Management Framework.⁵</p> <ul style="list-style-type: none"> • For the covered period, CIC management identified the following challenges: <ul style="list-style-type: none"> i. Impact of Omicron strain and other new strains of COVID-19 and government restrictions, including the reimpositions of Enhanced Community Quarantine/strict lockdown, on the supply chain, supply and demand for products, business operations, access and travel ii. Slower than expected recovery of the Philippine economic situation amidst COVID-19 iii. Rising costs amidst the rise in commodity prices and inflation, shortages iv. Changes in the business landscape - Changing consumer priorities, lifestyle and behavior, changing marketing dynamics, changing products; Political uncertainties, Health and COVID situation; Weather; Workforce and Work Conditions; Channel dynamics, business models, customer engagement. 		<p>CIC’s workplace health and safety measures and vaccination program continue to be a priority.</p> <ul style="list-style-type: none"> • Growing sales profitably and improving gross margin. • Initiatives for bringing back earnings to pre-pandemic levels – These include various activities for business simplification and synergy, reduction of overhead, rationalization of freight and logistics, reduction of “bad costs” strict expense controls and tracking. • Rebuilding culture through engagement and eLearning activities internal to the organization • Building strong fundamentals for business continuity • Implementing hybrid work arrangement for certain business units. • Instituting organizational and functional improvements in the fulfillment and supply chain side of the business as part of the ground work for the New Normal. • Commitments to the external community include the following Corporate Social Responsibility (CSR) Activities:
--	--	--

⁵ Ibid. at page 24

<p>What are the Opportunity/ies Identified?</p>		<p>i. CIC x Parish Pastoral Council for Responsible Voting The Parish Pastoral Council for Responsible Voting (PPCRV), a national parish-based political but non-partisan lay movement plays a major role in helping achieve a peaceful and honest elections. The election happened in the extra ordinary time of COVID-19, and exposure to the virus was one of the most compelling concerns of the election volunteers. CIC provided air conditioning and air filtration systems at the UST command center and boosted the confidence of the people during the election watch</p> <p>ii. Be the Light Noche Buena Gift-Giving Program CIC commits to working together to help bring about positive change into the lives of our fellow Filipinos. Despite this year's challenges, CIC remains steadfast in giving back to the community through collective acts of sharing, and in Christmas 2022, CIC donated Noche Buena packs and toys to adopted families in Barangay Buli and Barangay Alabang Riles</p> <p>iii. Employee and Business Partner Vaccination Program in partnership with Muntinlupa LGU As part of the continuing initiative to protect the general public against COVID-19, Concepcion Industrial Corporation (CIC) in coordination with the Muntinlupa City Health Office conducted a COVID-19 vaccination drive held at the CIC Alabang Corporate Office on</p>
<p>CIC Management had built on the strategic refocusing that started in the last two years. For the covered period, CIC Management identified key business priorities for the year – Business Recovery, Culture and Capabilities and laying the groundwork for the New Normal.</p> <p>i. Business Recovery – dealing with the aftermath of inflation, attrition; channel expansion and engagement; new products; recovering margins</p> <p>ii. Culture and Capabilities – upskilling, retooling, leadership development, rebuilding culture and capabilities; strong finance and business fundamentals (management of human capital, risk, compliance, business process, standards)</p> <p>iii. New Normal – platforms, fulfillment and supply chain, new business models, data and business intelligence</p>		

		<p>Sept. 8,2022. The event successfully administered booster shots to CIC employees, their dependents, as well as business partners.</p> <p>iv. Tree Planting Activity Caring for the People and the Planet is one of CIC’s core values and CIC is always happy to dedicate time to valued communities and spaces. In August 2022, CIC’s employee volunteers participated in the tree planting activity "600 Trees for our 60th Anniversary" at the Laguna-Quezon Grant Site, Siniloan, Laguna with FEEDInc as partner.</p> <p>v. Mentoring Filipino Entrepreneurs - CIC x Go Negosyo CIC Vice Chairman Raul Anthony “Ton” Concepcion joined Go Negosyo’s Mentor Me on Wheels Program. Along with leaders in the business sector, Mr. Concepcion mentored small and budding business owners, and aspiring entrepreneurs - helping them understand business fundamentals and gave advice on how to remain profitable given the changing business landscape. In the same spirit of entrepreneurship that CIC was founded in, Mr. Conepcion continues to share the skills and insight that will help build businesses and uplift fellow Filipinos.</p> <p>vi. CIC x Rotary Makati and Phil Cancer Society</p>
--	--	---

		<p>In partnership with the Rotary Club of Makati Premier District and the Philippine Cancer Society, INC., CIC provided its employees the opportunity to check on their health in terms of the common major illnesses of breast and cervical cancer and avail free tests and screening through the Mobile Bus Clinic donated by the Rotary Club to the Philippine Cancer Society. Visiting 3 of CIC's sites, medical volunteers and practitioners were able to test our employees and took action in caring for their health.</p>
--	--	---

b. Indirect Economic Impact

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Considering the core values of “Innovating for Happier Outcomes”, “Going Above and Beyond”, “Making Customers Happy, Quality, “Caring for the People and the Planet” and “Doing Our Best Always”, CIC brands offer an array of innovative and energy-efficient solutions that lower costs and are environmentally responsible, which the Company considers to have indirect economic impact to investors, consumers and the government.</p> <p>The following are some examples:</p>	<ul style="list-style-type: none"> • Investors • Government • Consumers 	<ul style="list-style-type: none"> • Policies, Responsibilities - As part of its Enterprise Risk Management Framework ⁹, CIC Board and Management identifies the strategic direction of its businesses and considers energy-efficient solutions that lower costs and are environmentally responsible. • Commitments - These solutions are designed to serve a wide array of customers and structure types, from individuals and single families living in small residences to thousands of residents, visitors and workers spread across large residential towers and office buildings, entertainment facilities and commercial and

⁹ Id. Note 4

New Air Quality Products

- Different models of air purifiers were launched across 4 brands (Carrier, Condura, Toshiba, Midea) in response to the need for COVID-19 prevention tools in home and work spaces.
- Carrier launched OptiClean, a portable “air scrubber” and negative air machine designed for hospital rooms and other potentially contaminated areas to help against the spread of COVID-19. Potential future uses include homes, businesses, and assisted living facilities.

Carrier⁶

- Carrier is a leader in the phase-out of ozone-depleting refrigerants and remains focused on delivering energy-efficient fire safety, security, building automation, refrigeration and HVAC systems and services for customers.
- Carrier continues to invest in research and development, applying the newest technological innovations to create ever more sustainable solutions that surpass the already stringent environmental performance targets designed into our products.

industrial warehouses and factories. These solutions are also designed to meet a variety of different needs, such as durability, noise reduction features, aesthetical appeal, varying price points and customized features to match individual requirements. Moreover, many of the Company’s air conditioning and refrigeration solutions are designed to meet the growing demand for energy efficient technologies, and the Company offers and will continue to develop these technologies as the demand for such solutions grows and the benefit payback in terms of reduced energy consumption becomes more widely known and accepted. In addition, the Company offers an array of after-market services such as periodic maintenance, parts supply, repairs and other services intended to support its products through their entire life cycle. The Company believes that these after-market services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company’s air conditioning and refrigeration solutions from those of its competitors.

⁶ 2018 UTC Corporate Responsibility Report

<ul style="list-style-type: none"> • The Carrier AquaEdge 23XRV chiller is the world’s leading efficiency screw chiller, 42 percent more efficient than the industry standard.⁷ • Carrier’s Infinity Controls, combined with its energy-efficient geothermal solutions, are 45 percent more energy efficient than standard residential heating and cooling systems. • CCAC has launched several residential air-conditioning models that have high energy efficiency, bringing significant savings in energy costs to users (Carrier Compact Inverter, Carrier Aura Plus, Condura Compact Inverter). <p>Otis⁸</p> <ul style="list-style-type: none"> • Otis has been a pioneer in developing sustainable technologies like the ReGen drive. Now standard on our Gen2 and SkyRise elevators, the ReGen drive captures energy that would otherwise be wasted as heat and converts it into reusable energy for other building systems. Another Otis innovation, our CompassPlus destination dispatching technology, saves energy by moving some elevators to standby mode when traffic is light. • Otis’ Gen2 elevator with ReGen drive is smaller and 		
---	--	--

⁷ Among electric-driven, water-cooled chillers as measured by Integrated Part Load Value conditions based on ASHRAE 90.1 2010 minimum requirement.

⁸ Id. Note 6

<p>capable of reducing overall elevator energy consumption by 75 percent under normal operation, compared to conventional geared machines with non-regenerative drives.</p> <ul style="list-style-type: none"> • The CompassPlus destination management system directs passengers to the elevator that will get them to their destination significantly faster than conventional dispatching systems. The system conserves energy by moving some elevators to standby mode when traffic is light. <p>Midea and Toshiba Lifestyle</p> <ul style="list-style-type: none"> • Midea’s washing machines are energy and water efficient, averaging a cost of P2.00 per wash load, P10.00 to dry clothes and with 70% water savings. • Midea air-conditioners utilize environment friendly refrigerants and have high energy efficiency ratio ratings. • Appliances marketed generally have low power input requirements. <p>Condura</p> <ul style="list-style-type: none"> • Some Condura Air-conditioning Units are equipped with an Energy Savings Plug (ESP). The ESP alternates electricity usage between the air-conditioning unit and an electric fan, which in turn helps in lowering household electricity 		
---	--	--

<p>consumption. It was conceptualized by Condura to work in tandem with the air-conditioning unit's timer, in order to help the user save on household electricity costs.</p> <ul style="list-style-type: none"> • Recently, Condura launched its No-Frost Refrigerators line. The products incorporate inverter technology combined with the convenience of no-frost freezers for energy-efficient usage and user-friendly maintenance, contributing to overall cost savings for the household. The energy consumption savings can be as much as 50%. All refrigerators use R600, a natural refrigerant that has low levels of environmental impact and zero ozone depletion potential • CONDURA VAX SAFE is a vaccine storage solution developed to provide Filipinos for a better future. Built to meet the medical storage standard, Condura VAX Safe is built to comply with the temperature requirements of various COVID-19 vaccines, allowing transport of the much-needed (at the that time) COVID-19 vaccines to far-flung areas. 		
<p>What are the Risk/s Identified?</p>		
<p>Availability of products depend on continued business relationships with the partners.</p>		

What are the Opportunity/ies Identified?		
New product introductions		

c. Anti-corruption

Communication and training about anti-corruption policies and procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization’s anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization’s anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
Related to “Doing the Right Thing” as one of the core values of the company, CIC is committed to the highest standards of ethics and business conduct, thus, it has in place an Ethics Program that is designed to foster lawful and ethical behavior among the directors, officers, employees, representatives and suppliers of CIC and its subsidiaries, and to prevent and detect unlawful and improper conduct including corruption.	<ul style="list-style-type: none"> • Investors • Employees • Government • Partners, Suppliers and Service Providers • Consumers • Competitors • Communities 	<ul style="list-style-type: none"> • Policies/Commitments /Responsibilities – <p>Ethics Program. The Ethics Program consists of the Code of Ethics ¹⁰, Ethics Training, Annual Ethics Certification, the Whistleblowing System (ProActive), the Ethics Committee, and the Business Practices Officers. As stated earlier, it is designed to foster lawful and ethical behavior among the directors, officers, employees,</p>

¹⁰ Please refer to CIC Code of Ethics: <https://www.cic.ph/download/cic-code-of-ethics/>

<p>What are the Risk/s Identified?</p>		<p>representatives and suppliers of CIC and its subsidiaries, and to prevent and detect unlawful and improper conduct.</p> <p>CIC’s Code of Ethics (COE) does not merely require compliance with laws. It embodies a commitment to positive behaviors that build trust, promote respect, and demonstrate integrity. CIC’s Code of Ethics expresses its fundamental values, establishes rules of conduct, and provides guidance for policy formulation and decision-making.</p> <p>Particular to corruption: Under the COE, all persons acting on behalf of CIC will abide by all laws relating to improper payments. Business gifts that are customary and reasonable in frequency and value are generally permitted. A gift is never permitted if intended in exchange for favorable treatment or if prohibited by the policies of the recipient or his/her employer. CIC will never offer or pay any bribe.</p> <p>Violations of the COE within the organization are seriously dealt with through proper HR grievance mechanisms, and if applicable, judicial or extra-judicial dispute resolution remedies.</p> <p>CIC expects all its suppliers to adopt CIC’s Code of Ethics or to abide by their own Code of Ethics if it meets the minimum standards of CIC’s Code of Ethics, and any serious violation by a supplier may result in the termination of engagement and blacklisting from future engagements.</p>
<p>Ethical Behavior Risk - The organization, through its actions or inaction, demonstrates that it is not committed to ethical and responsible business behavior.</p> <p>Integrity Risk - The risk of management fraud, employee fraud, and illegal and unauthorized acts, any or all of which could lead to reputation degradation in the marketplace or even financial loss.</p>		
<p>What are the Opportunity/ies Identified?</p>		
<p>Achievement of enterprise objectives through partnerships with persons and entities that value anti-corruption commitments.</p>		

		<p>Enterprise Risk Management Framework. Corruption is identified by the Company is an enterprise risk that is continuously being managed through its Enterprise Risk Management Framework¹¹. Risk management function follows a governance structure that is inherent and supported at all organizational levels.¹²</p> <p>Policy on Conflict of Interest.¹³ CIC’s directors, officers, employees, and representatives must be loyal to the company and deal with suppliers, customers and others in a manner that avoids a conflict between personal interests and those of CIC, or even the appearance of such conflict. All actual, potential or perceived must be declared by the employee concerned as well as those who may be aware of it.</p> <p>Policy on Whistleblowing – CIC adopted this policy to encourage all stakeholders of the Company to make good faith reports of actual or suspected impropriety, fraud, misconduct, abuse, health and safety concerns, conflicts of interest and any other wrongdoing, free from fear or retaliation. The policy guarantees confidentiality and anonymous reporting through identified channels, and protection to the whistleblower provided that reports are done in good faith.¹⁴</p>
--	--	---

¹¹ Id. Note 4

¹² Id. Note 5

¹³ Please refer to CIC Policy on Conflict of Interest: <https://www.cic.ph/download/policy-on-conflict-of-interest/?wpdmdl=4620&refresh=5e2565ea1c44c1579509226>

¹⁴ Please refer to CIC Policy on Whistleblowing: <https://www.cic.ph/download/policy-on-whistleblowing/?wpdmdl=4621&refresh=5e85b2bc97ca01585820348>

		<p>Policy on Business Gifts, Policy on Corrupt Payments, Policy on Sales Intermediaries, Policy on Sponsoring Third Party Travel – The CIC Group adopted the foregoing anti-corruption policies to guide employees when dealing with counterparties, providing guidance on proper handling of business and reinforcing ethical behavior in conjunction with the Code of Ethics and other related polices.</p> <ul style="list-style-type: none"> • Grievance Mechanism – CIC allows any person to submit questions, ideas, suggestions, criticisms, complaints or allegations of wrongdoing anonymously, use the ProActive platform¹⁵.
--	--	--

¹⁵ Please refer to ProActive Hotline: <https://proactivehotline.punongbayan-araullo.com/>

ENVIRONMENT

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0
No. of cases resolved through dispute resolution mechanism	0	0

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>“Caring For the People and the Planet”, is one of the core values of the organization. CIC aims to prevent pollution and occupational health and safety accidents/incidents in all our business activities and processes to satisfy Environment Health and Safety (EH&S) requirements including ISO standards.</p> <p>The Company actively protects the health and safety of our employees, customers and other stakeholders and minimizes the environmental impact during the design, manufacture, distribution, use and disposal of our products.</p>	<ul style="list-style-type: none"> • Investors • Employees • Government • Partners, Suppliers and Service Providers • Consumers • Competitors • Communities 	<p>Policies, Commitments, Responsibilities, Specific Actions –</p> <ul style="list-style-type: none"> • Environment, Health and Safety Policy (EH&S) Policy. The Company implemented the EH&S Policy based on the following objectives: <ul style="list-style-type: none"> ○ To comply with relevant Philippine Government laws and regulations and the policies and standard practices of the Concepcion Industrial Corporation; ○ Demonstrate leadership in the introduction and promotion of products for all market segments that utilize environmentally safe refrigerants; ○ To establish and review Environmental, Health & Safety (EH&S) goals and make them integral parts of our business plan and demonstrate to continually improve our environmental,
What are the Risk/s Identified?		
<ul style="list-style-type: none"> • Product safety and life • Manufacturing resources and waste management 		

<p>What are the Opportunity/ies Identified?</p>		<p>occupational health & safety performance;</p> <ul style="list-style-type: none"> ○ Minimize pollutants in manufacturing processes to the best practicable levels and prevention of pollution; ○ Optimize natural resources in the design, manufacture, use and disposal of products and delivery of services; ○ Commitment of the means and resources necessary to direct, support, monitor and maintain accountability for EH&S performance; ○ Integrate EH&S in new product development and influence contractors and suppliers to improve EH&S performance. <ul style="list-style-type: none"> • EH&S Management System. The CIC group has in place an EH&S Management System to effectively manage the impact of its activities on EH&S for employees and consumers. EH&S governance are closely linked to its business planning cycle and accountability for which are imposed on all levels of the organization. <p>The Company prepares an EH&S Annual Plan to identify key initiatives, actions or strategies to achieve the goals and regulatory and company requirements.</p> <p>The assessment process identifies and ranks EH&S risks, the appropriate regulatory and company requirements, and corresponding strategy to eliminate, prevent or control the risk; identifies the responsible parties for addressing the risk; and identifies an estimated completion date.</p>
<p>Consistent with the core value, the prioritization of EH&S in our business provides our employees a safe and hazard-free workplace where we continuously promote good health, a healthy lifestyle, and an environment that fosters balanced well-being.</p> <p>Opportunity for current and new products to strengthen recognition of CIC’s brands.</p> <p>Achievement of enterprise objectives through partnerships with persons and entities that value EH&S commitments.</p> <p>Contribution to household and business cost savings due to introduction of products.</p>		

		<p>When risks have been identified and prioritized, activities to eliminate, prevent or control the risk will be developed, responsible person to complete the activities assigned in the document and distributed to all concerned by the EH&S Manager. Those risks that have the greatest potential for adverse effects will receive the highest ranking and be addressed first. Lower priority risks will be evaluated for applicability to the operation and addressed as resources permit. Control measures, such as policies, programs, procedures, standard work, engineering controls, etc., will be used when technological options are not available or cost prohibitive. The Oversight Steering Committee will monitor progress towards completion dates to ensure timely close out of all identified corrective actions.</p> <p>For activities that have the potential to create a significant risk to human health or the environment, additional requirements such as EH&S Cardinal Rules and standard work covering requirements for monitoring equipment and process have been developed. Emerging issues of major significance will be evaluated and addressed based on their assigned priority.</p> <p>The Company, through its Products Solution Division under CCAC and CDI, integrates EH&S into the planning and design, as well as modification of processes, operations or building layouts in accordance with the corresponding risks identified on the hazard assessment document. Where appropriate, the following considerations will be integrated into the product</p>
--	--	--

		<p>development and procurement processes:</p> <ul style="list-style-type: none"> ○ Potential impacts on the environment ○ Potential impacts on health and safety ○ Operation and maintenance ○ Efficiency in the consumption of energy and natural resources ○ Ability to recycle, reuse and dispose of safely <p>Regular EH&S Training is conducted to enable employees to acquire the appropriate EH&S skills and knowledge to perform their job functions.</p> <p>Communication program consists of activities for conveying EH&S issues, information and awareness. Mandatory communications include:</p> <ul style="list-style-type: none"> ○ Communication of EHS Cardinal Rules ○ Posting or providing information as required by EH&S Cardinal Rules ○ Reporting of EH&S information and incidents as required ○ Communicating relevant EH&S Alerts, Tool Box topics, Bulletins, and similar awareness advisories ○ Results of incident investigations, audits, inspections, new or revised rules or procedures, the annual EH&S plan, EH&S performance, new or revised training, etc. <p>Regular inspections are performed to evaluate EH&S relevant physical conditions, acts or omissions of employees and others in relation to EH&S aspect, impact, hazards, risks, regulatory and internal requirements</p>
--	--	---

		<p>in accordance with document or procedure.</p> <p>Deficiencies identified that cannot be immediately corrected will be assigned a corrective action and completion date and incorporated into the risk assessment.</p> <p>An audit program is in place to evaluate the effectiveness of the operation's implementation of internal controls. Matters audited include:</p> <ul style="list-style-type: none"> ○ Completion of the Job hazard Analysis (HIRAC) by technicians / supervisor and corrective actions. ○ Adherence to established rules and procedures. ○ Effectiveness of the training and communication program at providing EH&S awareness and knowledge through tests and surveys among employees. ○ Review of at least one incident investigation report (if any) to determine the accurate identification of the direct and root cause and the completion of the corrective actions. ○ Adequacy of equipment. ○ Follow-up on corrective actions.
--	--	--

SOCIAL

a. Employment

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ¹⁶	1,218	
a. Number of female employees	485	#
b. Number of male employees	733	#
Attrition rate ¹⁷	11.9%	rate
Ratio of lowest paid employee against minimum wage	N/A	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	Maternity – 4.54% Solo Parent - 0.62%	Paternity – 1.2%
Vacation and Sick leaves ¹⁸	Y	91%	72%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	Y	13%	9%
Further education support	Y	0.21%	0%
Company stock options	N	N/A	N/A
Telecommuting ¹⁹	Y	See Footnote 19	See Footnote 19

¹⁶ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

¹⁷ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

¹⁸ Regular employees only

¹⁹ In the covered period, when the nature of their work or their business unit permits, employees were permitted to work from home/work remotely for up to two days per week. Employees performing core business functions that require attendance in the field and line to attend to customer, employee, and production requirements were excepted from this permission. A total of .

Flexible-working Hours ²⁰	Y	92%	76%
(Others)	-	-	-

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
<p>With “Caring for the People and the Planet” as one of the core values, the Company recognizes that “People” include those who the Company are serving and those who are within the organization working with and for the Company towards its vision. The Company adopts a Total Rewards Philosophy that emphasizes company-wide excellence and individual development, enabling employees to grow as individuals while CIC grows as a company.</p> <p>The impact, therefore is dual, as it supports the needs of the employees as well as the Company’s businesses.</p> <p>Compensation programs consider the following guiding principles:</p> <ul style="list-style-type: none"> • Build Long-Term Shareholder Value: Our programs will link employee interests with shareholder interests and the creation of shareholder value. Employees will do better when the company does better. • Drive a Pay-for-Performance Culture: Employees who demonstrate superior performance and behaviors will receive the highest rewards. • Be Competitive with Our Peers: Our programs will be in line with those offered by our peer companies. • Provide Cost-Effective Solutions: We will invest our resources in programs that provide the most value to the greatest number of employees. 	<p>Policies, Commitments, Responsibilities –</p> <ul style="list-style-type: none"> • Compensation Policy – The Company implemented a Compensation Policy to establish a balanced mix of internal equity and external competitiveness in the compensation structure across the Company; and, to attract, retain, and motivate key talents by providing competitive compensation with an appropriate mix of fixed and variable compensation. <p>Generally, the HR Operations unit is responsible for the planning and implementation of the CIC Compensation Strategy.</p> <ul style="list-style-type: none"> • Benefits Policy - CIC recognizes the importance of a competitive benefits portfolio as this helps drive the good employee welfare and wellness, employee productivity, and higher levels of employee engagement. This policy serves as the source of information regarding company benefits for covered employees and guidelines in the proper implementation thereof. The Benefits Policy was implemented to make CIC an employer of choice through a competitive benefits package; and to maintain high levels of employee productivity and employee engagement while ensuring employee welfare and wellness.

²⁰ Reported rate pertains to employees with compressed work week schedule.

What are the Risk/s Identified?	Generally, it is the HR Operations is responsible for the regular review and update of this policy to ensure its market competitiveness, relevance to prevailing economic conditions, and compliance to statutory requirements.
<ul style="list-style-type: none"> • Employee turnover • Costs not translating to performance due to inefficiencies in program design or implementation • New rules and regulations on workplace management and flexible work arrangements. 	
What are the Opportunity/ies Identified?	
<ul style="list-style-type: none"> • Unlocking additional value due to alignment of employee, management and investor interests. • In 2020, the Company decided to adopt flexible work arrangements in line with COVID-19 prevention measures and business continuity management. 	

b. Employee Training and Development ²¹

CIC recognizes that sustainable growth in the business rests on the employees’ capabilities and it is imperative for CIC to provide rudimentary resources. CIC values employee development as it is directly related to business results and performance.

CBSI

Disclosure	Quantity	Units
Total training hours provided to employees	2,643	hours
a. Female employees	1,812	hours
b. Male employees	831	hours
Average training hours provided to employees	18	hours/employee
a. Female employees	20	hours/employee
b. Male employees	15	hours/employee

CIC Corporate

Disclosure	Quantity	Units
Total training hours provided to employees	516	hours
a. Female employees	308	hours
b. Male employees	208	hours

²¹ Disclosures are limited to CBSI and CCAC..

Average training hours provided to employees	9.74	hours/employee
a. Female employees	10.62	hours/employee
b. Male employees	8.67	hours/employee

CCAC

Disclosure	Quantity	Units
Total training hours provided to employees	743.5	hours
a. Female employees	384	hours
b. Male employees	359.5	hours
Average training hours provided to employees	2.8	hours/employee
a. Female employees	2.8	hours/employee
b. Male employees	2.8	hours/employee

CDI

Disclosure	Quantity	Units
Total training hours provided to employees	3542	hours
a. Female employees	1498	hours
b. Male employees	2044	hours
Average training hours provided to employees	34.34	hours/employee
a. Female employees	33.67	hours/employee
b. Male employees	34.87	hours/employee

COPI

Disclosure	Quantity	Units
Total training hours provided to employees	1,589	hours
a. Female employees	236	hours
b. Male employees	1,353	hours
Average training hours provided to employees	29.04	hours/employee
a. Female employees	11.24	hours/employee
b. Male employees	17.80	hours/employee

CMI

Disclosure	Quantity	Units
Total training hours provided to employees	528	hours
a. Female employees	224	hours
b. Male employees	304	hours
Average training hours provided to employees	12.57	hours/employee
a. Female employees	12.44	hours/employee
b. Male employees	12.66	hours/employee

<p>What is the impact and where does it occur? What is the organization’s involvement in the impact?</p>	<p>Management Approach</p>
<p>CIC believes that its capability to do things is a shared responsibility between the Company and employees, and so we work together to develop ourselves and our organization to the fullest of our collective potential.</p> <p>Thus, CIC holds employee development in the highest regard and takes personal interest in helping employees reach their career aspirations within the Company, through the provision of tools, resources, and opportunities for further learning and development. Our culture is one that ensures that our employees are fully engaged and are capable and empowered to make the right decisions.</p>	<p>Policy, Commitments, Responsibilities -</p> <ul style="list-style-type: none"> <p>Individual Development Plan (IDP) Policy – The Company has an Individual Development Plan Policy in place to help employees reach short and long-term career goals and improve job performance that support the delivery of business results; to create action plans that drive employee development towards a defined career trajectory; to increase levels of employee adaptability, organizational commitment, satisfaction, and retention; and, to align employee’s individual development with the Company’s growth objectives.</p> <p>Generally, the Company’s Human Resource Organizational Development – Centre of Excellence (OD-COE) has oversight of this policy and is responsible for the continuous development of planning tools, provision of training to People Managers, and monitoring/gathering of data to measure the system’s effectivity in achieving its objectives. Direct Managers (DM) act as mentor to the employee and are responsible for initiating and guiding the employees’ development and its documentation in an IDP form. Human Resource Business Partners (HRBPs) are responsible for assisting DMs and ensuring each employee in their respective unit has an IDP in place. Employees are responsible for cooperating with their DMs and ensuring that IDP targets are achieved by the stated completion period, or updated in case of any changes in plan.</p> <p>In creating the IDP for each employee, the Company follows the following guiding Principles:</p>
<p>What are the Risk/s Identified?</p>	
<ul style="list-style-type: none"> Employee turnover Costs not translating to performance due to inefficiencies in program design or implementation 	
<p>What are the Opportunity/ies Identified?</p>	
<ul style="list-style-type: none"> Unlocking additional value due to alignment of employee, management and investor interests. The Company had opportunity engage employees through new remote learning methods. 	

	<ul style="list-style-type: none"> ○ Development objectives must be aligned with organizational objectives. ○ Both gaps and strengths in the employee’s capability must be developed. ○ Development objectives must be limited to a critical few. ○ Blended development activities tend to provide the most significant opportunity for learning. ○ Experience-based activities tend to be the most powerful method of employee development. ○ Clear communication and continuous feedback play a key role in promoting learning.
--	---

c. Labor-Management Relations²²

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	CCAC - 12% CDI – 24%	%
Number of consultations conducted with employees concerning employee-related policies	CCAC Union sessions – 10 CDI Union Sessions – 10 CIC Townhall Sessions - 4	#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
CIC recognizes that creating a positive workplace experience can only happen through effective communication and transparency between employer and worker and recognizes the need to provide an avenue for both parties to discuss and matters relating the collective bargaining and other related topics. The Company actively cooperates with Concepcion Carrier Air Conditioning Company Employees’ Union and Concepcion Durables, Inc. Employees Union, as the certified and exclusive bargaining representative for CCAC and CDI factory workers, respectively.	<p>Policy, Commitments, Responsibilities, Grievance Mechanism -</p> <ul style="list-style-type: none"> • Labor-Management Cooperation (LMC) Policy – The Company implemented the LMC Policy which covers the Labor-Management Cooperation activities between CIC and the unions, to complement and operationalize complements the Labor Code of the Philippines. <p>The policy has the following objectives:</p>

²² Disclosures are limited to CCAC and CDI. There are no unions present in other entities.

What are the Risk/s Identified?	<ul style="list-style-type: none"> ○ To promote workers’ participation in the policy- and decision-making process of the Company. ○ To foster a climate of cooperation and harmony between labor and management. ○ To improve the quality of working life; and ○ To achieve and sustain economic growth for CIC and its employees. <p>The Chief Human Resource Officer (CHRO) has the general responsibility for the lawful implementation of this policy. The governance of the LMC Policy is done through the Labor-Management Council (Council) and also provides the discussion platform for issues and concerns that are not covered by the Collective Bargaining Agreement (CBA), including but not limited to cost reduction, job classification, employee engagement and productivity, housekeeping, and updates on new laws and rulings affecting the workplace.</p> <p>The policy ensures that both labor and management is properly represented in the Council. A third-party facilitator acceptable to all may be engaged to assist, as needed. The policy likewise ensures observance of efficiency and transparency in the conduct of meetings.</p>
Labor concerns which remain unaddressed or unresolved due to inefficiencies in the program design or implementation.	
What are the Opportunity/ies Identified?	
Unlocking additional value due to alignment of employee, management and investor interests.	

d. Relationship with Community

Significant Impact on Local Communities

In 2022, Filipinos continue to struggle with the consequences of the COVID-19 Pandemic. Families continue to experience health and economic difficulties and heightened distress brought about by natural disasters. Given this, the CIC Group initiated several charitable programs in recognition of its responsibility as a member of the community.

- **CIC x Parish Pastoral Council for Responsible Voting**
The Parish Pastoral Council for Responsible Voting (PPCRV), a national parish-based political but non-partisan lay movement plays a major role in helping achieve a peaceful and honest elections.

The election happened in the extra ordinary time of COVID-19, and exposure to the virus was one of the most compelling concerns of the election volunteers. CIC provided air conditioning and air filtration systems at the UST command center and boosted the confidence of the people during the election watch

- **Be the Light Noche Buena Gift-Giving Program**

CIC commits to working together to help bring about positive change into the lives of our fellow Filipinos. Despite this year's challenges, CIC remains steadfast in giving back to the community through collective acts of sharing, and in Christmas 2022, CIC donated Noche Buena packs and toys to adopted families in Barangay Buli and Barangay Alabang Riles

- **Employee and Business Partner Vaccination Program in partnership with Muntinlupa LGU**

As part of the continuing initiative to protect the general public against COVID-19, Concepcion Industrial Corporation (CIC) in coordination with the Muntinlupa City Health Office conducted a COVID-19 vaccination drive held at the CIC Alabang Corporate Office on Sept. 8, 2022. The event successfully administered booster shots to CIC employees, their dependents, as well as business partners.

- **Tree Planting Activity**

Caring for the People and the Planet is one of CIC's core values and CIC is always happy to dedicate time to valued communities and spaces. In August 2022, CIC's employee volunteers participated in the tree planting activity "600 Trees for our 60th Anniversary" at the Laguna-Quezon Grant Site, Siniloan, Laguna with FEEDInc as partner.

- **Mentoring Filipino Entrepreneurs - CIC x Go Negosyo**

CIC Vice Chairman Raul Anthony "Ton" Concepcion joined Go Negosyo's Mentor Me on Wheels Program. Along with leaders in the business sector, Mr. Concepcion mentored small and budding business owners, and aspiring entrepreneurs - helping them understand business fundamentals and gave advice on how to remain profitable given the changing business landscape. In the same spirit of entrepreneurship that CIC was founded in, Mr. Concepcion continues to share the skills and insight that will help build businesses and uplift fellow Filipinos.

- **CIC x Rotary Makati and Phil Cancer Society**

In partnership with the Rotary Club of Makati Premier District and the Philippine Cancer Society, INC., CIC provided its employees the opportunity to check on their health in terms of the common major illnesses of breast and cervical cancer and avail free tests and screening through the Mobile Bus Clinic donated by the Rotary Club to the Philippine Cancer Society. Visiting 3 of CIC's sites, medical volunteers and practitioners were able to test our employees and took action in caring for their health.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

The Company contributes to the ninth and eleventh UN Sustainable Development Goals:

- **“Industry, Innovation and Infrastructure”**, in particular, fostering innovation.
- **“Make cities and human settlements inclusive, safe, resilient and sustainable”**, in particular, sustainable cities and human settlements

Fostering Innovation

CIC recognizes the need for innovation and incorporates this in its growth strategy. Recently, many initiatives were geared towards collaboration to foster innovation in response to the changing needs of the customers, including the introduction of the CIC Learning Center and collaborative workspaces, and incubation of several products/business models geared towards enabling technology for the “New Reality”. This involves responsible use of data and digitalization of real-world customer experience.

Within the CIC group, the Smart Products Division of CCAC is the technology solutions arm. It is engaged, among others, in research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other related products, and in providing business intelligence to customers based on data gathered from such products.

The CIC group also launched several e-commerce solutions internal to the enterprise through Concepcion Business Services, Inc. and Teko Solutions Asia, Inc.

Sustainable Cities and Human Settlements

CIC brands offer an array of innovative and energy-efficient solutions that lower costs and are environmentally responsible. The Company considers this as its contribution to the reduction in the adverse per capita environmental impact of cities, improvement of air quality and gradual overall decrease in energy consumption.

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Smart Products Complete Order Management System (COMS) Concepstore	Private research and development spending, Employment of research and development workers	If not properly managed by CTC or customer, security risks for confidential information and personal data, if any.	<ul style="list-style-type: none"> • Proper documentation that discloses the actual use and handling of information, whether confidential information or

			<p>personal data, and ensuring consents are secured for the same.</p> <ul style="list-style-type: none"> Partnerships with reputable cloud computing services companies only.
<p>Air Quality Products</p> <p>Various Air-Conditioning Equipment for Home and Commercial Use</p> <p>Various Refrigeration Equipment for Home and Commercial Use</p> <p>Various appliances for home use.</p>	<p>These products have high energy efficiency factors (EEF). Appliances requiring refrigerants use environment-friendly refrigerants, producing significantly less CO2 as compared to those produced other refrigerants.</p> <p>Air quality products protect against the spread of viruses including COVID-19, contributing to health safety and air quality in home and work spaces.</p>	<p>While impact has been significantly reduced, it is unavoidable to consume some amount of power (for electrical appliances) and to produce some amount of CO2 (for appliances using refrigerants).</p>	<p>Proper documentation for correct use and maintenance to promote safety, and prolong efficiency and equipment life.</p>

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2023
2. SEC Identification Number **A1997-13456** 3. BIR Tax Identification No. **005-029-401-000**
4. Exact name of issuer as specified in its charter - **CONCEPCION INDUSTRIAL CORPORATION**

5. **Philippines** 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization

7. **308 Sen. Gil Puyat Avenue, Makati City, Philippines** **1209**
Address of principal office Postal Code

8. **+632 7721819**
Issuer's telephone number, including area code

9.
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	397,912,491 (as of March 31, 2023)

11. Are any or all of these securities listed on a Stock Exchange.

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No []

13. The aggregate market value of the voting stock held by non-affiliates of the registrant is P1.75 billion. The price used for this computation is the closing price as of March 31, 2023 is P15.80.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements of Concepcion Industrial Corporation (the “Company” or “CIC”) and its subsidiaries, Concepcion-Carrier Air Conditioning Company (“CCAC”), Concepcion Durables, Inc. (“CDI”), Concepcion-Otis Philippines, Inc. (“COPI”), Concepcion Business Services, Inc. (“CBSI”), Cortex Technologies Corporation (“CTC”), Alstra Incorporated (“Alstra”) “Teko Solutions Asia Inc. (“Teko”) and (collectively, the “Group”) for the period ended March 31, 2023 and 2022, and with “Tenex Services Inc.” (“Tenex”) for the period ended March 31, 2023, and the audited consolidated financial statements of the group as at December 31, 2022, are attached to this 17-Q report, comparing the following:

- 1.1 Consolidated Statements of Financial Position as at March 31, 2023 and December 31, 2022 (Annex A)
- 1.2 Consolidated Statements of Total Comprehensive Income for the period ended March 31, 2023 and 2022 (Annex B)
- 1.3 Consolidated Statements of Changes in Equity for the period ended March 31, 2023 and 2022 (Annex C)
- 1.4 Consolidated Statements of Cash Flows for the period ended March 31, 2023 and 2022 (Annex D)
- 1.5 Notes to Consolidated Financial Statements as at March 31, 2023 and December 31, 2022 and for the period ended March 31, 2023 and 2022 (Annex E)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations [(based on the Unaudited Consolidated Results for the Period Ended March 31, 2023 (Annex F)]

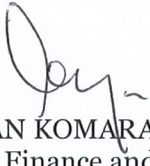
PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the 1st quarter (Q1) of 2023:

Date of Report	Items Reported
January 9, 2023	Resignation of Chief Audit Executive Ms. Arazeli L. Malapad
January 11, 2023	Resignation of Head of Investor Relations Mr. Alberto Alfonso Albano
January 30, 2023	Notice of Analysts' and Investors' Briefing
February 1, 2023	CIC Press Release on Business Updates
February 21, 2023	Appointment of Ms. Ma. Cristina Millares Lleva as Head of Investor Relations
March 29, 2023	Declaration of Cash Dividend

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.



RAJAN KOMARASU
Chief Finance and Operating Officer

April 26, 2023

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Financial Position
As at March 31, 2023 and December 31, 2022
(All amounts in thousand Philippine Peso)

	Notes	2023	2022
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	1,531,306	1,688,163
Trade and other receivables, net	3	3,395,740	3,455,147
Contract assets		850,010	781,668
Inventories, net	4	4,213,110	3,161,979
Prepayments and other current assets		132,255	115,697
Total current assets		10,122,421	9,202,654
Non-current assets			
Property and equipment, net		470,627	474,515
Investment property		40,255	40,255
Investment in associates	5	102,493	90,009
Intangible assets, net	6	130,999	135,843
Goodwill	6	806,682	806,682
Right-of-use assets, net		243,080	360,096
Deferred income tax assets, net		604,431	579,879
Other non-current assets		85,793	80,783
Total non-current assets		2,484,360	2,568,062
Total assets		12,606,781	11,770,716
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Trade payables and other liabilities	7	5,222,234	3,896,259
Short-term borrowings	8	5,000	114,000
Lease liabilities		73,746	136,873
Provision for warranty		70,470	68,077
Other provisions		41,739	38,691
Income tax payable		41,484	-
Total current liabilities		5,454,673	4,253,900
Non-current liabilities			
Retirement benefit obligation	12	579,414	570,502
Lease liabilities		189,705	241,914
Provision for warranty		6,361	5,941
Total non-current liabilities		775,480	818,357
Total liabilities		6,230,153	5,072,257
Equity			
Attributable to owners of the Parent Company			
Share capital	13	407,264	407,264
Share premium	13	993,243	993,243
Treasury shares	13	(241,464)	(241,464)
Retained earnings		3,620,272	3,765,573
Other comprehensive loss		(51,816)	(51,816)
		4,727,499	4,872,800
Non-controlling interest		1,649,129	1,825,659
Total equity		6,376,628	6,698,459
Total liabilities and equity		12,606,781	11,770,716

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For the period ended March 31, 2023 and 2022
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2023	2022
Net sale of goods		2,663,598	2,815,183
Sale of services		218,121	271,364
Net sales	9	2,881,719	3,086,547
Cost of sales and services	10	(1,879,198)	(2,098,022)
Gross profit		1,002,521	988,525
Operating expenses	11	(899,942)	(846,446)
Other operating income (loss), net		17,193	(56,048)
Operating income		119,772	86,031
Interest expense		(5,271)	(6,389)
Income before share in net income (loss) of associates and income tax		114,501	79,642
Share in net income (loss) of associates	5	12,484	(21,916)
Income before income tax		126,985	57,726
Income tax expense		(33,761)	(27,082)
Net income for the year		93,224	30,644
Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss			
Remeasurement gain (loss) on retirement benefits, net of tax		-	-
Total comprehensive income for the year		93,224	30,644
Net income (loss) attributable to:			
Owners of the Parent Company		53,655	(21,324)
Non-controlling interest		39,569	51,968
		93,224	30,644
Total comprehensive income attributable to:			
Owners of the Parent Company		53,655	(21,324)
Non-controlling interest		39,569	51,968
		93,224	30,644
Earnings (loss) per share - basic and diluted	14	0.13	(0.05)

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

ANNEX C
Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Changes in Equity
For the period ended March 31, 2023 and 2022
(All amount in thousand Philippine Peso)

Notes	Attributable to owners of the Parent Company					Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Retained earnings	Other comprehensive income (loss)		
Notes	13	13	13				
Balances as at January 1, 2023	407,264	993,243	(241,464)	3,765,573	(51,816)	1,825,659	6,698,459
Comprehensive income							
Net income for the year	-	-	-	53,655	-	39,569	93,224
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	53,655	-	39,569	93,224
Transactions with owners							
Cash dividends declared	-	-	-	(198,956)	-	(216,100)	(415,056)
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(198,956)	-	(216,100)	(415,056)
Balances as at March 31, 2023	407,264	993,243	(241,464)	3,620,272	(51,816)	1,649,129	6,376,628
Balances as at January 1, 2022	407,264	993,243	(172,108)	4,013,851	(55,913)	1,856,869	7,043,206
Comprehensive income							
Net income for the period	-	-	-	(21,324)	-	51,968	30,644
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(21,324)	-	51,968	30,644
Transactions with owners							
Cash dividends declared	-	-	-	(401,855)	-	(241,300)	(643,155)
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(401,855)	-	(241,300)	(643,155)
Balances as at March 31, 2022	407,264	993,243	(172,108)	3,590,672	(55,913)	1,667,537	6,430,695

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Cash Flows
For the period ended March 31, 2023 and 2022

(All amounts in thousand Philippine Peso)

	2023	2022
Cash flows from operating activities		
Income before income tax	126,985	57,726
Adjustments for:		
Provisions for (reversals of):		
Volume rebates, trade discounts and other incentives	157,297	97,186
Warranty cost	36,933	35,385
Commission	15,403	8,789
Impairment of receivables	1,629	14,390
Contingencies	(16,040)	1,800
Inventory obsolescence	3,754	-
Amortization of right-of-use assets	38,640	38,578
Retirement benefit expense	15,002	22,824
Depreciation and amortization of property and equipment	46,078	38,839
Amortization of intangible assets	4,845	5,503
Interest expense	5,534	6,412
Share in net loss (income) of associates	(12,484)	21,916
Unrealized foreign exchange losses (gains)	(3,196)	34,717
Gain on sale of investments, net of tax	(9)	-
Gain on disposal of property and equipment	(49)	-
Interest income on bank deposits, short-term placements	(5,837)	(1,785)
Operating income before working capital changes	414,485	382,280
Changes in:		
Trade and other receivables	530,445	(224,230)
Inventories	(1,054,886)	(567,462)
Prepayments and other current assets	(208,595)	(30,375)
Other non-current assets	(5,009)	(6,258)
Trade payables and other liabilities	517,483	494,256
Cash generated from operations	193,923	48,211
Income tax paid	-	-
Payments of provision for warranty cost	(34,837)	(32,752)
Payments of other provisions	(13,055)	(11,602)
Retirement contributions/ benefits directly paid by the Group	(6,090)	(9,897)
Interest received on bank deposits	2,183	64
Net cash provided by (used in) operating activities	142,124	(5,976)
Cash flows from investing activities		
Interest received from short-term placements	1,451	1,721
Additions to property and equipment	(31,227)	(12,287)
Proceeds from disposal of property and equipment	131	-
Net cash used in investing activities	(29,645)	(10,565)
Cash flows from financing activities		
Cash distributions of profits	(130,100)	(140,250)
Proceeds from short-term borrowings	-	1,000
Payment of short-term borrowings	(109,000)	-
Principal repayment of lease liabilities	(25,835)	(35,500)
Interest paid on lease liabilities	(3,561)	(4,303)
Interest paid on short-term borrowings	(840)	(3,226)
Net cash used in financing activities	(269,336)	(182,279)
Net increase (decrease) in cash and cash equivalents	(156,857)	(198,821)
Cash and cash equivalents as at January 1	1,688,163	2,518,403
Effects of foreign exchange rate changes on cash and cash equivalents		(235)
Cash and cash equivalents as at March 31	1,531,306	2,319,348

The notes on pages 1 to 11 are integral part of these consolidated financial statements.

Concepcion Industrial Corporation and Subsidiaries

Notes to the Unaudited Consolidated Financial Statements

As at March 31, 2023 and December 31, 2022 and for the
period ended March 31, 2023 and 2022

(All amounts are shown in thousand Philippine Peso except number of shares,
per share amounts and unless otherwise stated)

Note 1 - General information**1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries are incorporated and operating in the Philippines. The subsidiaries are engaged in the manufacture, sales, distribution, installation and service of heating, ventilating and air conditioning (HVAC) products and HVAC services; manufacture, assembly, wholesale, retail, purchase and trade of refrigeration equipment; importation, buy and sell, at wholesale, distribute, maintain and repair, elevators, escalators, and all supplies, material, tools, machinery and part/components thereof; rendering various corporate back-office support services directly or through duly licensed service providers and/or professionals, where necessary, exclusively for CIC, its subsidiaries, affiliates and/or related companies, to undertake research, development and commercialization of new, existing or emerging technology to existing or future residential and commercial appliances and equipment, and other products.

CIC and its subsidiaries are herein collectively referred to as the "Group".

CIC's primary shareholders are Foresight Realty & Development Corp., Hyland Realty & Development Corp., and Horizons Realty Inc., entities registered and doing business in the Philippines, which have equally divided equity over CIC. These companies are beneficially owned by Filipino individuals.

CIC's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. As at March 31, 2023 and December 31, 2022, CIC has two (2) regular employees.

1.2 Significant business developments

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.

Tenex is primarily engaged to undertake and transact all kinds of business relating to installation, servicing sale and distribution of heating, ventilation and air conditioning systems and products, HVAC, and such other activities related thereto, such as construction and mechanical maintenance services.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at March 31, 2023 and December 31, 2022 consist of:

	2023	2022
Cash on hand	2,132	1,909
Cash in banks	657,594	912,691
Short-term placements	871,580	773,563
Total	1,531,306	1,688,163

Cash in banks and short-term placements amounting to P1,271,253 and P257,921 (2022 – P1,281,305 and P404,949) are made with universal and commercial banks, respectively, that earn interest at the prevailing bank deposit rates.

For the period ended March 31, 2023, total interest income earned from cash in banks and short-term placements amounted to P5,837 (2022 – P1,785).

The carrying values of cash and cash equivalents, and short-term investments represent the maximum exposure to credit risk other than cash on hand. While these are also subject to the impairment of PFRS 9, the identified impairment loss was immaterial.

Note 3 - Trade and other receivables, net

Trade and other receivables as at March 31, 2023 and December 31, 2022 consist of:

	2023	2022
Trade receivables		
Third parties	3,908,308	3,968,815
Related parties	5,904	5,629
Provision for volume rebates, trade discounts and other incentives	(680,636)	(637,424)
Provision for impairment of receivables	(178,785)	(177,158)
Net trade receivables	3,054,791	3,159,862
Non-trade receivables, net		
Advances to/Claims from suppliers	132,797	127,204
Related parties	49,883	46,138
Advances to employees	43,725	40,624
Rental deposits	1,362	5,555
Others	113,182	75,764
	340,949	295,285
Total Trade and Other Receivables, net	3,395,740	3,455,147

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 March 31, 2023 and December 31, 2022 was determined as follows for both trade receivables and contract assets:

	High performing	Underperforming		Credit impaired	Total
	Current	Up to 6 months past due	6 to 12 months past due	Over 12 months past due	
	Within 0% to 12%	Within 1% to 27%	Within 1% to 27%	Within 1% to 100%	
2023					
Trade receivables					
Third parties	2,692,296	869,125	164,417	182,471	3,908,308
Related parties	2,952	2,952	-	-	5,904
	2,695,248	872,077	164,417	182,471	3,914,213
Contract assets	850,010	-	-	-	850,010
Total	3,545,258	872,077	164,417	182,471	4,764,223
Loss allowance	-	-	3,840	174,945	178,785
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 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 is the respective carrying values of trade receivables, contract assets, other receivables and due from related parties as at reporting date.

Note 4 - Inventories, net

Inventories, net as at March 31, 2023 and December 31, 2022 consist of:

	Note	2023	2022
At cost			
Raw materials		1,866,828	1,502,860
Finished goods	10	2,074,725	1,510,893
Work in process	10	467	572
Inventories-in-transit		296,629	167,780
Spare-parts and supplies used in business		83,936	84,171
		4,322,585	3,266,276
Provision for inventory obsolescence		(109,475)	(104,297)
Inventories, net		4,213,110	3,161,979

For the period ended March 31, 2023, the cost of inventory recognized as expense and included in cost of sales and services amounted to P1,736,471 (2022 – P1,835,256) (Note 10).

Note 5 - Investments in Associates

Details of movement in investment in associates as at March 31, 2023 and December 31, 2022 follow:

	2023	2022
At cost, beginning	260,000	274,700
Additional investments	-	-
Change of ownership from associate to subsidiary	-	(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	12,484	(31,996)
Share in other comprehensive income (loss) for the year	-	1,126
Reversal of accumulated net loss in Tenex	-	6,827
Cumulative share in total comprehensive loss, ending	(157,507)	(169,991)
Investment in Associates	102,493	90,009

The effective percentage of ownership of Alstra Inc. in Tenex from 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 effective July 1, 2022. The reversal of accumulated share in net loss of Tenex from December 31, 2019 to June 30, 2022 amounting to P6,827 was recognized upon payment of subscription of shares in July 2022.

As at March 31, 2023 and December 31, 2022, the investment in associate pertains only to CMIP.

Note 6 - Goodwill and intangible assets, net

6.1 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.

In 2022 under acquisition method, the Group recognized a goodwill of P4,320 from the acquisition of Tenex. The Group applied the proportionate interest approach to account for its NCI.

6.2 Intangible assets, net

Details and movements of intangible assets account at March 31, 2023 and December 31, 2022 are shown below:

	Customer relationship	Customer backlogs	Computer software	Total
Cost				
At January 1, 2023	187,113	13,883	118,562	319,557
Additions (adjustments)	-	-	-	-
At March 31, 2023	187,113	13,883	118,562	319,557
Accumulated amortization				
At January 1, 2023	68,392	13,883	101,440	183,715
Amortization	1,871	-	2,972	4,843
At March 31, 2023	70,263	13,883	104,412	188,558
Net book values at March 31, 2023	116,850	-	14,148	130,999
Cost				
At January 1, 2022	187,113	13,883	118,846	319,842
Additions (adjustments)	-	-	(285)	(285)
At December 31, 2022	187,113	13,883	118,562	319,557
Accumulated amortization				
At January 1, 2022	60,908	13,883	80,526	155,317
Amortization	7,484	-	20,913	28,397
At December 31, 2022	68,392	13,883	101,440	183,714
Net book values at December 31, 2022	118,721	-	17,122	135,843

Note 7 - Trade payables and other liabilities

Trade payables and other liabilities as at March 31, 2023 and December 31, 2022 consist of:

	2023	2022
Trade payables		
Third parties	1,737,009	1,036,070
Related parties	390,504	260,196
Total Trade Payables	2,127,513	1,296,266
Accrued expenses		
Project costs	599,604	553,734
Benefits of directors, officers and employees	322,549	344,238
Outside services	289,846	282,688
Rental and utilities	52,740	53,420
Advertising and promotion	48,759	44,489
Freight	45,570	48,574
Importation costs	32,861	46,177
Professional fees	28,360	56,002
Repairs and maintenance	5,953	5,067
Commission	2,376	1,923
Installation and cleaning costs	126	126
Others	110,178	104,502
	1,538,922	1,540,940
Other liabilities		
Advances on sales contract	405,675	284,702
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	372,585	277,572
Dividends Payable	198,956	-
Output value-added tax (VAT), net of input VAT	170,600	145,778
Withholding taxes and other mandatory government remittances	38,247	90,962
Related parties	7,704	35,140
Others	362,032	224,899
	1,555,799	1,059,053
	5,222,234	3,896,259

Project costs represent costs of HVAC related projects incurred but not yet billed as at reporting date.

Note 8 - Short-term borrowings

Movements of short-term borrowings as at March 31, 2023 and December 31, 2022 are as follows:

	2023	2022
Beginning	114,000	250,000
Payments	(109,000)	(286,000)
Availments	-	150,000
Ending	5,000	114,000

As at March 31, 2023 and December 31, 2022, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months from 6.75% to 7.25% (2022 -5.35% to 7.25%).

Interest expenses on borrowings recognized and paid during the period ended March 31, 2023 amounted P840 (2022 – P3,226).

Note 9 - Revenue from contracts with customers

Details of net sales and services for the period ended March 31 are as follows:

	2023	2022
Gross sales		
Sale of goods (Point in time)	3,022,221	3,089,351
Sale of services (Over time)	218,121	271,364
	3,240,342	3,360,715
Deductions		
Trade and volume discounts and other incentives	(280,731)	(141,182)
Sales returns	(77,892)	(132,986)
	(358,623)	(274,168)
Net sales and services	2,881,719	3,086,547

Note 10 - Cost of sales and services

Details of cost of sales and services for the period ended March 31 are as follows:

	Note	2023	2022
Raw materials used		1,554,655	1,344,165
Labor		53,087	38,281
Overhead		158,144	144,120
Total manufacturing cost		1,765,887	1,526,566
Work-in-process, beginning	4	572	2,587
Work-in-process, ending	4	(467)	(9,129)
Cost of goods manufactured		1,765,991	1,520,024
Finished goods inventory, beginning	4	1,510,893	1,140,542
Gross purchases - trading		534,312	732,474
Finished goods available for sale		3,811,196	3,393,040
Finished goods inventory, ending	4	(2,074,725)	(1,557,784)
Total cost of sales		1,736,471	1,835,256
Cost of installation and services		144,383	257,394
Others		(1,657)	5,371
Total cost of services		142,726	262,766
Total cost of sales and services		1,879,198	2,098,022

Note 11 - Operating expenses

Details of operating expenses for the period ended March 31 are as follows:

	2023	2022
Personnel costs	392,327	338,145
Outside services and professional fees	163,819	189,360
Outbound freight	80,681	74,999
Advertising and promotion	51,366	41,410
Amortization of right-of-use assets	38,542	32,780
Warranty cost	37,854	32,168
Rent and utilities	36,442	39,174
Depreciation and amortization	14,395	15,945
Transportation and travel	11,607	5,427
Taxes and licenses	9,739	17,561
Royalty	8,456	6,291
Amortization of intangible assets	4,574	6,843
Repairs and maintenance	3,053	3,135
Provision for (Reversal of) inventory obsolescence	3,037	(4,265)
Provision for impairment of receivables	1,629	7,899
Others	42,421	39,574
	899,942	846,446

Note 12 - Retirement plan

12.1 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.

12.2 CCAC

CCAC has an established funded, trustee and non-contributory and of the defined benefit type retirement plan covering all its regular employees. The retirement plan provides lump sum benefits upon retirement, death, total and permanent disability, voluntary separation after completion of ten (10) years of credited service, and involuntary separation (except for cause). Normal retirement age is 60 years or 15 years of credited service, whichever is earlier and provides for retirement benefit equivalent to 125% of the latest monthly salary per year of service.

The Retirement Plan Trustee, as appointed by CCAC in the Trust Agreement executed between CCAC and the duly appointed Retirement Plan Trustee, is responsible for the general administration of the Retirement Plan and the management of the Retirement Fund. The Retirement Plan Trustee may seek and advice of counsel and appoint an investment manager or managers to manage the Retirement Fund, an independent accountant to audit the Fund and an actuary to value the Retirement Fund.

There are no unusual or significant risks to which the Plan exposes CCAC. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from CCAC to the Retirement Fund.

In accordance with the provisions of Bureau of Internal Revenue (BIR) Regulation No. 1-68, it is required that the Retirement Plan be trustee; that there must be no discrimination in benefits that forfeitures shall be retained in the Retirement Fund and be used as soon as possible to reduce future contributions; and that no part of the corpus or income of the Retirement Fund shall be used for, or divided to, any purpose other than for the exclusive benefit of the Plan members. CCAC is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the CCAC's discretion.

12.3 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 March 31, 2023 and December 31, 2022, estimated retirement benefits and obligations for Alstra is deemed immaterial, hence, not provided for.

12.4 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.

12.5 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.

12.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to one hundred twenty-five percent (125%) of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The retirement obligation of each entity in the Group is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2022.

12.7 CDI

In February 2021, CDI's BOD approved the establishment of 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 (asset) and retirement benefit expense as at March 31, 2023 and December 31, 2022:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
2023									
Retirement benefit obligation (asset)	22,153	326,719	149,159	78,075	(1,084)	918	2,894	580	579,414
Retirement benefit expense	506	10,743	861	1,243	1,353	34	262	-	15,002
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

Retirement benefit expense is included as part of personnel costs under operating expenses (Note 11).

Note 13 - Equity

13.1 Share capital

As at March 31, 2023 and December 31, 2022, CIC's authorized share capital amounting to P700,000 is composed of 700 million shares with par value of P1 per share.

The details and movement of share capital as at and for the period ended March 31, 2023 and for the year ended December 31, 2022 follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2022	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	-	-	-	-
March 31, 2023	397,912,491	407,264	993,243	(241,464)

13.2 Dividend declaration

Cash dividends declared, attributable to owners of CIC, for the period ended March 31, 2023 and for the year ended December 31 are as follows:

Date declared	Date 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 period ended March 31, 2023 and for the year ended December 31, 2022, NCI from profit distribution of CCAC and COPI amounted to P172,000 and P44,100, respectively (2022 - P202,100 and P39,200, respectively).

13.3 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.

March 20, 2020, the BOD amended the terms of the share buyback program to increase the limit of the common shares that may be repurchased during the first year of the program from P100 million to P300 million.

On July 27, 2022, the BOD extended the share buyback program to another two years or until September 9, 2024. Out of the approved buyback of P300 million, total amount of shares repurchased was P168 million as of March 31, 2023.

As at March 31, 2023 and December 31, 2022, acquisition of treasury shares amounted to P241,464.

Note 14 - 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 period ended March 31 is calculated as follows:

	2023	2022
Net income (loss) attributable to owners of the Parent Company	53,655	(21,324)
Weighted average common shares - basic and diluted (in '000)	397,912	401,855
Basic and diluted earnings per share	0.13	(0.05)

The basic and diluted earnings per share are the same each for the period presented as there are no potential dilutive common shares.

Management's Discussion and Analysis of Financial Condition and Results of Operations (based on the Unaudited Consolidated Results for the Period Ended March 31, 2023)**OVERVIEW OF THE BUSINESS**

Concepcion Industrial Corporation (the "Company" or "CIC"), formerly Concepcion Airconditioning Corporation ("CAC"), is one of the Philippines' most established and leading suppliers of air conditioners, air conditioning solutions, and refrigerators. 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 solutions 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 single families living in residences, to thousands of people spread across large residential towers, office buildings, entertainment facilities, and commercial and industrial sites. 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 the individual 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 on strengthening its relationship with its customers through the development of various platforms and applications designed to ensure a better fit between the product and service offerings to the customer's lifestyle. The Company believes that these aftermarket services, combined with its wide range of air conditioning and refrigeration products catering to various customer needs, offer customers enhanced value that distinguishes the Company's air conditioning and refrigeration solutions from those of its competitors.

As of March 31, 2023, CIC has eight major subsidiaries and two associates. For its subsidiaries, the Company owns 60% of CCAC, 100% of CDI, effectively 51% of COPI through its ownership in Alstra Inc., 100% of CBSI, 100% of CTC, 100% of Alstra Inc., effectively 58% of Teko through its ownership in CTC, and 80% of Tenex through its ownership in Alstra Inc. For its associates, the Company owns effectively 40% of CMI through its ownership in CCAC and 33% of Teko SG through its ownership in CTC.

Carrier Air Conditioning Company (CCAC)

CCAC engages in the manufacture, sale, distribution, installation, and service of heating, ventilating, and air conditioning (HVAC) products and services for residential, commercial, and industrial use. CCAC is a joint venture between CIC and Carrier Air Conditioning Philippines, Inc. (CACPI), which allows it to offer Carrier and Toshiba brand air conditioners and Totaline parts. CCAC also offers other brands such as Condura and Kelvinator. CCAC manufactures a select range of its air conditioning equipment at its factory in Light Industry and Science Park in Cabuyao, Laguna, Philippines. The factory is Philippines' largest air conditioning facility with a capacity of approximately 500,000 units per year and a production area of 19,620 sqm. CCAC's products are distributed and sold primarily in the Philippines. It has a nationwide distribution reach supported by a nationwide aftermarket network. The Company believes CCAC has the largest air conditioning market share in the Philippines in terms of revenues, including leading market positions in the residential, commercial and industrial segments.

Concepcion Durables, Inc. (CDI)

CDI engages primarily in the manufacture, assembly, wholesale, retail, purchase, and trade of refrigeration equipment, including Condura and Kelvinator brand refrigerators and freezers. CDI manufactures a select range of its products at its factory at Light Industry and Science Park in Cabuyao, Laguna, adjacent to CCAC's air conditioning factory. The factory has a capacity of 300,000 units per year and a production area of 16,420 sqm. CDI has leadership presence in the residential and light commercial ("RLC") refrigeration market in the Philippines. From 2020 onwards, CDI has continuously expanded its product portfolio from small domestic appliances such as rice cooker, coffee maker, juicer to kitchen and laundry appliances.

Concepcion Midea Inc. (CMI)

CMI is a joint venture between Midea Electric Trading (Singapore) Co. Pte. Ltd. (Midea), and CIC and CCAC. CMI's primary purpose is to introduce Midea brand products in the Philippine market as a supplier of a full range of appliances such as air conditioners, refrigerators, laundry and kitchen appliances. CMI is also a distributor of Toshiba brand such as refrigerator, laundry and kitchen appliances since 2019. This will not only expand the Company's multi-brand offering to the Philippine market but will also allow it to expand into the wider white goods market. Established in 1968, Midea is a leading global white goods and air conditioning systems manufacturer, with operations around the world. Midea is a Global Fortune 500 company and has joint venture agreements with Carrier Corporation in selected countries.

Concepcion-Otis Philippines, Inc. (COPI)

COPI is a joint venture between Alstra Inc., a wholly owned subsidiary of CIC, and Otis Elevator Company (Philippines). COPI sells, installs and service Otis brand elevators and escalators in the Philippines. Its solutions include engineering design, supply and installation, project management, testing and commissioning, service repairs and parts, retrofit services on vertical transportation equipment. Otis is the world's leading brand for elevator and escalator equipment, installation and service.

Concepcion Business Services, Inc. (CBSI)

CBSI's primary business purpose is to consolidate support services across CIC and its subsidiaries and affiliates particularly in the areas of Finance, Human Resources, Information and Communications Technology, Legal and Compliance, as well as Facilities Management. In 2020, CBSI introduced an online platform, called Concepstore, to enable other subsidiaries to sell directly to consumers.

Cortex Technologies Corporation (CTC)

CTC engages in the research, development and commercialization of new and emerging technologies. CTC also develops strategic partnerships and identifies potential acquisitions, both locally and abroad, to develop solutions that are aligned with CIC's broader vision of building better lives and businesses and owning the home. CTC works across the enterprise to help facilitate innovation and maintain CIC's position as a market leader.

Alstra Incorporated (Alstra)

Alstra Inc. was organized primarily as a holding company to make investments in solutions for buildings and the industrial markets. Alstra may also engage in the business of installation, construction, maintenance and supply of equipment for mechanical, electrical, plumbing and fire protection services, facilities management, civil construction, technology services, electronics, devices and equipment in relation to building services and other building solutions-related services, among others.

Teko Solutions Asia Inc. (Teko)

Teko is focused on building and operating a platform to provide appliance repair and maintenance services. It leverages on information technology solutions and innovative business models to transform the appliance services market.

Tenex Services, Inc. (Tenex)

Tenex is positioned to provide HVAC installation, repairs and maintenance services to commercial and business establishments. Effective July 1, 2022, Tenex became a subsidiary of the Company through its ownership in Alstra, Inc. from the latter's purchase of shares from 49% to 80%.

Teko Solutions Pte. Ltd. (Teko SG)

Teko SG is a company incorporated in Singapore. Its purpose of business is to be a holding company for the regional expansion of Teko across Southeast Asia.

Factors Affecting the Company's Results of Operations

Factors affecting the Company's financial and operational results in the first three months of 2023

Macroeconomic Fundamentals: Inflation, though on a downtrend from an all-time high in January, has somewhat weakened consumer spending for the first quarter of the year. Thus, GDP growth is estimated to be lower compared to 7.2% of Q4 last year. In addition, growing trade deficit, high borrowing costs and slower growth pace in cash remittances from Overseas Filipino Workers are expected to affect the growth momentum for the quarter. Partly mitigating these headwinds, is the recovery of the Philippine Peso from weakness in the second half of last year. Despite the slowdown, the full reopening of the economy has improved business activities driving an optimistic outlook.

Construction Sector Developments: An increase in demand is seen in the construction industry as some companies resumed expansion and construction activities and retail occupancy is almost at pre-pandemic level. This has led to an increasing monthly trend on orders for the company, as well as a healthy backlog.

Commodity Prices: The Company depends on raw materials sourced from third parties to produce majority of its products. Raw materials represent about 88% of the Company's manufactured cost of sales. Key metal prices have stabilized in Q1 as global supplies recovered from the effect of the Russia-Ukraine war. Energy prices have also eased from the 2022 peak due to weaker global demand and healthy supply outlook.

Description of Selected Income Statement Items

Net Sales

The Company generates revenues primarily from sales of its heating, ventilation and air conditioning (HVAC), refrigeration units, laundry and kitchen appliances through its subsidiaries, CCAC and CDI, including sales and service of elevators and escalators in COPI.

Costs and Expenses

- Cost of sales and services

The Company's cost of sales and services comprise the cost of finished goods, raw materials used for the Company's manufactured products, installation costs, labor, and manufacturing and service overhead.

- Expenses

The Company's operating expenses include employee costs, outside services, freight out, rent and utilities, warranty cost, marketing and advertising costs, transportation, travel and entertainment, provisions for commission, impairment of receivables, inventory obsolescence, legal disputes and assessments, repairs and maintenance, royalties, non-income taxes and licenses, depreciation and amortization, commission expense, supplies, insurance, and professional fees.

- Other net operating income (loss)

The Company's other operating income (loss) comprise of interest expense on loans, foreign exchange losses, net of interest income on bank deposits and short-term placements, commission and service income.

Income tax expense (benefit)

The Company's income tax expense comprises the income taxes accrued and/or paid by the Company and its respective subsidiaries including the deferred income tax assets or tax related to future tax benefits.

Net Income

Net income represents the earnings of the Company and its respective subsidiaries.

Net Income Attributable to Parent

Net income attributable to Parent represents the Company's share at 60% of the net income of CCAC, 100% of the net income of CDI, 100% of the net loss of CBSI, 100% of the net loss of CTC, 100% of the net income of Alstra, effectively 51% of the net income of COPI, effectively 58% of the net loss of Teko, and effectively 80% of net income of Tenex.

Segment information

The Company reviews and analyzes 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.

a. Profit or loss

Segment information on reported consolidated profit or loss for the period ended March 31 as follows (amounts are in millions):

	Consumer business	Commercial business	Others	Total
2023				
Net sales and services	2,120	751	11	2,882
Timing of revenue recognition				
At point in time	2,120	536	8	2,664
Over time	-	215	3	218
Cost of sales and services	(1,394)	(477)	(8)	(1,879)
Gross profit	726	274	2	1,003
Operating expenses	(671)	(212)	(16)	(900)
Other operating income (loss)	7	6	4	17
Interest income	1	3	1	6
Interest expense	(4)	(1)	-	(5)
Share in net loss of associates	12	-	-	12
Income tax benefit (expense)	(14)	(16)	(3)	(34)
Net income (loss) for the quarter	56	50	(13)	93
2022				
Net sales and services	2,308	768	11	3,087
Timing of revenue recognition				
At point in time	2,308	503	4	2,815
Over time	-	265	7	272
Cost of sales and services	(1,545)	(548)	(6)	(2,098)
Gross profit	764	220	5	989
Operating expenses	(668)	(134)	(44)	(846)
Other operating income (loss)	(56)	(4)	4	(56)
Interest income	1	-	1	2
Interest expense	(3)	-	(3)	(6)
Share in net income of associates	(21)	(1)	-	(22)
Income tax expense (benefit)	(13)	(20)	6	(27)
Net income for the quarter	2	61	(32)	31

Consumer business pertains to heating, ventilation and air conditioning (HVAC) products, aftermarket parts and related services 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.

Commercial business pertains to heating, ventilation and air conditioning (HVAC) products and services as well as sales and services of elevators and escalators, primarily for industrial and commercial use. It is sold directly to end customers or through a network of accredited sub-contractors.

b. Assets, Liabilities and Other Accounts

Segment information on consolidated assets and liabilities as at March 31, 2023 and December 31, 2022 (in millions) are as follows:

	CCAC	CDI	COPI	Others	Total
2023					
Current assets	6,018	2,359	1,001	744	10,122
Non-current assets	674	490	910	411	2,484
Current liabilities	3,108	793	705	849	5,455
Non-current liabilities	383	275	(1)	118	775
2022					
Current assets	5,412	2,376	957	458	9,203
Non-current assets	742	493	918	415	2,568
Current liabilities	2,299	768	585	602	4,254
Non-current liabilities	431	268	4	115	818

CCAC's products and related services include HVAC, and air conditioning products. It is supported by a vast network of distributors, dealers, retailers and technicians who sell, install and service the Group's products in the industrial, commercial and residential property sectors. The management performs review of gross profit per component, while review of segment operating expenses, income tax, and profit or loss are done in total.

CDI is engaged in manufacturing of refrigerators and freezers and distribution of laundry and kitchen appliances for domestic market.

COPI is engaged in distribution and service of elevators and escalators.

The balances presented in Others are composed of the other entities in the Group including CIC standalone balances.

RESULTS OF OPERATIONS

Consolidated Financial Performance

For the period ended March 31, 2023 compared with period ended March 31, 2022

CIC Businesses started the year with a strong performance registering 35% growth in Sales for January. However, weaker consumer sentiments and shift in product mix resulted in reversing the growth for Consumer sales in the subsequent two months. Additionally, a surge of Consumer orders in the last week of March could not be fulfilled due to logistics challenges. While Commercial HVAC equipment sales grew 26% for the quarter, the elevator and escalator equipment business was down 65% due to a large project completed last year. Lower Consumer and Commercial equipment business was partly offset by an increase in aftermarket parts & service business registering a growth of 25% demonstrating the company's focus on strengthening the aftermarket business as well.

Net sales and services

For the period ended March 31, 2023, the total consolidated net sales and services was at P2.9 billion, a decline of 6.6% versus same period last year. Strong January performance was offset by lower February and March.

Consumer Business in quarter one generated sales at P2.1 billion, a decline of 8.1% versus same period last year. This is primarily attributed to lower retail demand in February and most of March, a shift in product mix and a surge of orders in the last week of March that could not be fulfilled.

Commercial Business first quarter sales reached P0.75 billion, a slight decline of 2.2% mainly due to a higher base last year coming from a large project in the elevator business.

Gross Profit

CIC registered consolidated gross profit of P 1.0 billion for the period ended March 31, 2023, a 1.4% increase from same period in 2022 despite the decrease in sales. The increase was mainly attributed to an easing of cost and better factory absorption.

Operating Expenses

CIC's total operating expenses at P 0.9 billion for the period ended March 31, 2023, 6.3% increase than 2022. This is mainly driven by higher employee costs.

Other Operating Income (loss) and Finance Costs

Other operating income at P17 million came from FX gain, interest income on time deposits and other income. Finance cost of P5 million pertained to interest expense on short-term borrowings and amortization of lease liabilities.

Net Income

CIC achieved, for the period ended March 31, 2023, P93 million in net income, a 204% growth against last year. The favorable variance was attributed to better margin, favorable FX and associate income offsetting impact of lower sales. Profit after tax after minority interest (PATAMI) was P54 million, P75 million higher against same period last year.

CONSOLIDATED FINANCIAL CONDITION

As at March 31, 2023 compared with as at December 31, 2022

The Company's financial and operating strategy enabled it to maintain an optimal and healthy financial condition to weather any external adversities and allowed it to thrive in an increasingly volatile market environment.

Consolidated total assets as at March 31, 2023 was P12.6 billion, an increase by P0.8 billion from end of 2022 of P11.8 billion. The increase in assets was mainly from higher inventory buildup. Consolidated net cash position decreased by P0.2 billion or 9.3% from end of 2022.

Inventory increased by P1.1 billion against December 31, 2022, build up due to anticipation of the peak season and preparing the launch of new models. Lower Q1 consumer sales also contributed to the higher inventory balance.

Total liabilities as at March 31, 2023 amounted to P6.2 billion, an increase of P1.2 billion from December 31, 2022, mainly due to trade payables from inventory purchase.

CONSOLIDATED CAPITAL EXPENDITURES

The Company makes regular capital expenditures annually to support its business goals and objectives, investing in the on-going upgrade, expansion and maintenance of its property and equipment relating primarily to machinery and equipment, office equipment and leasehold and building improvements. The Company has historically funded its capital expenditures primarily through working capital derived from operating income.

As of March 31, 2023 CIC's capital expenditures totaled to P31.2 million, of that amount the majority was spent on purchase of office equipment and software upgrade which represents 66% of the total capital expenditures.

WORKING CAPITAL

As at March 31, 2023 and December 31, 2022, the Company's net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), was P4.7 billion and P4.9 billion, respectively, representing working capital sufficiency.

The Company's current assets consist of cash and cash equivalents, trade and other receivables, contract assets, inventories and prepayments and other current assets. The Company's current liabilities consist of trade payables and other liabilities, short-term borrowings, lease liabilities, provisions for warranty, other provisions, and income tax payable.

CASH FLOWS

The following table sets forth information from the Company's consolidated statements of cash flows for the period indicated (amounts in millions):

	For the period ended March 31	
	2023	2022
Net cash flows provided by (used in) operating activities	142.1	(6.0)
Net cash flows used in investing activities	(29.6)	(10.6)
Net cash flows used in financing activities	(269.3)	(182.3)
Net increase (decrease) in cash and cash equivalents	(157.9)	(198.3)

The net cash flows used by operating activities for the period ended March 31, 2023 was at P142 million composed of income before provision for income tax of P127 million excluding adjustments, changes in working capital, interest received and including actual income tax paid. The increase in cash flow from operating activities was due to buildup of inventory and higher settlement of payables.

The net cash flows used in investing activities for the period ended March 31, 2023 was at P30 million mainly for the acquisition of property and equipment.

The net cash flows used in financing activities for the period ended March 31, 2023 was at P269 million relating to dividend payout, short-term borrowings and lease liabilities.

Key Performance Indicators

The Company monitors its financial and operating performance in terms of the following indicators:

	Definition	Unaudited For the three months ended	
		March 31, 2023	March 31, 2022
Gross Profit Margin	Gross Profit/Net Sales	34.8%	32.0%
Profit Before Tax	Profit before Tax/Net Sales	4.4%	1.9%
Net Income (% to Sales)	Net Income/Net Sales	3.2%	1.0%
Net Income/(Loss) Attributable to Shareholders (% to Sales)	Net Income/(Loss) Attributable to Shareholders / Net Sales	1.9%	(0.7%)
Return on Average Equity	Net Income after Non-Controlling Interest / Average Shareholder's Equity net of Non-Controlling Interest	1.1%	(0.4%)
Return on Average Assets	Net Income/Average Assets	0.7%	0.3%
Earnings per Share*	Net Income after Non-Controlling Interest / Average Shares Outstanding	0.13	(0.05)

		Unaudited As at	
		March 31, 2023	March 31, 2022
Current Ratio	Current Assets/Current Liabilities	1.9	1.9
Debt-to-Equity-Ratio	Total Liabilities/Total Equity	1.0	1.0
Asset-to-Equity Ratio	Total Assets/Total Equity	2.0	2.0
Book Value Per Share*	Shareholder's Equity net of Non-Controlling Interest / Total Shares Outstanding	11.9	11.9

*Total Number of Shares (weighted average) as at March 31, 2023 - 397,912,491 (2022 - 401,855,091)

ANNEX D

2023 ANNUAL STOCKHOLDERS' MEETING OF CONCEPCION INDUSTRIAL CORPORATION (formerly Concepcion Airconditioning Corporation) (the "Corporation")

REGISTRATION AND PROCEDURE FOR VOTING *IN ABSENTIA* AND PARTICIPATION VIA REMOTE COMMUNICATION

I. VOTING IN ABSENTIA

1. Stockholders as of June 27, 2023 (the "Stockholder/s") may register by notifying the Corporate Secretary by email to cic.secretary@romulo.com on or before July 17, 2023. Registration shall be open from July 6, 2023 to July 17, 2023.
2. Upon registration, Stockholders shall provide the following information and documents (the file size should be no larger than 5MB):
 - i. For Individual Stockholders:
 - a. Email Address
 - b. First and Last Name
 - c. Address
 - d. A valid and active Mobile / Phone Number
 - e. A scanned copy of the Stockholder's valid government-issued ID with picture and signature
 - f. Additional requirement for Stockholders with joint accounts: A scanned copy of an authorization letter signed by all joint Stockholders, identifying who among them is authorized to cast the vote for the account
 - ii. For Corporate Stockholders:
 - a. Email Address of the representative of the corporate Stockholder
 - b. First and Last Name of the representative of the corporate Stockholder
 - c. Address of the corporate Stockholder
 - d. A valid and active Mobile / Phone Number of the representative of the corporate Stockholder
 - e. A scanned copy of a valid government-issued ID of the representative of the corporate Stockholder authorized to cast the vote for and on behalf of the corporate Stockholder ("Authorized Vote") with photograph
 - f. A scanned copy of the certification duly signed by the corporate secretary of the corporate Stockholder attesting to the authority of the representative to vote for and on behalf of the corporate Stockholder
 - iii. For stockholders under Broker Accounts (PCD Nominee)
 - Individual beneficial owner
 - a. Email Address
 - b. First and Last Name
 - c. Address
 - d. A valid and active Mobile / Phone Number
 - e. A scanned copy of a valid government-issued ID of the individual beneficial owner with photograph
 - f. A scanned copy of the broker's certification on the individual beneficial owner's name, account number and shareholdings as of record date (June 27, 2023)
 - Corporate beneficial owner
 - a. A scanned copy of the broker's certification on the corporate beneficial owner's name, account number and shareholdings as of record date (June 27, 2023)
 - b. A scanned copy of the certification duly signed by the corporate secretary of the corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial owner
 - c. A scanned copy of a valid government-issued ID of the representative of the corporate beneficial owner with photograph

3. Registration shall be validated by the Office of the Corporate Secretary in coordination with the Stock Transfer Agent of the Corporation. The Corporate Secretary shall inform the Stockholder of the validation results.
4. Voting shall be open from July 6, 2023 to July 17, 2023. All Stockholders who wish to vote through a proxy or in absentia shall submit the duly signed proxies or ballots, as the case may be, to the Office of the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com not later than July 17, 2023.
5. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia* together with the votes cast by proxy, and committee organized by the Board will validate the results.
6. Stockholders who vote *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting in absentia for the Special Stockholders' Meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a Stockholder of the Corporation.

II. PARTICIPATION VIA REMOTE COMMUNICATION

1. Stockholders may attend the meeting remotely by viewing the livestream *via* Zoom Meeting (https://us02web.zoom.us/meeting/register/tZYqde-srTgtG9fh9_ghozilPzVJ5f7lfQTV). The information necessary to attend the meeting shall be sent to all shareholders who are able to register as required herein.
2. For purposes of quorum, only the following Stockholders shall be counted as present:
 - a. Stockholders who have voted *in absentia* within the period of July 6, 2023 to July 17, 2023;
 - b. Stockholders who have sent their proxies to the Corporate Secretary at the 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City and/or by email to cic.secretary@romulo.com on or before July 17, 2023;
and
Stockholders who have notified the Corporation of their intention to participate in the meeting by remote communication by sending an email to cic.secretary@romulo.com not later than July 17, 2023.
3. Questions and comments on the items in the Agenda may be sent to investorrelations@cic.ph. Questions or comments received on or before July 17, 2023 may be responded to during the meeting. Any questions not answered during the meeting shall be answered by the Corporation's Investor Relations Office via email or by posting on the Corporation's website.

Annex E

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) SS.

SECRETARY'S CERTIFICATE

I, **JAYSON L. FERNANDEZ**, of legal age, with office address at 21st Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, after being duly sworn in accordance with law, hereby depose and certify that:

1. I am the incumbent Corporate Secretary of **CONCEPCION INDUSTRIAL CORPORATION** (the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with business address at 308 Sen. Gil J. Puyat Avenue, Makati City, Philippines.
2. To the best of my knowledge, none of the following directors and key officers of the Corporation are currently employed by any government office of the Republic of the Philippines:

Name	Position
Raul Joseph A. Concepcion	Chairman and President
Renna C. Hechanova-Angeles	Vice-chairman and Treasurer
Raul Anthony A. Concepcion	Vice-chairman
Jose Ma. A. Concepcion III	Director
Ma. Victoria Herminia C. Young	Director
Raissa C. Hechanova-Posadas	Director
Cesar A. Buenaventura	Independent Director
Luis Y. Benitez, Jr.	Independent Director
Justo A. Ortiz	Independent Director
Rafael C. Hechanova, Jr.	Executive Vice President, Business Development
Maria Victoria A. Betita	Chief Strategy and Transformation Officer
Rajan Komarasu	Chief Finance and Operating Officer
Harold T. Pernikar	President, Concepcion Durables, Inc.
Phillip F. Trapaga	President, Concepcion Midea, Inc. Managing Director, Concepcion Carrier Airconditioning Company
Alexander T. Villanueva	General Manager for Integrated Logistics
Michael Eric I. Sarmiento	President and COO, Concepcion Business Services, Inc.
Michael Hansson	Chief Product Officer
Omar C. Taccad	Chief Compliance Officer and Chief Legal Counsel
Ma. Cristina M. Lleva	Head of Investor Relations
Jayson L. Fernandez	Corporate Secretary
Roxanne Viel C. Santos Cua	Assistant Corporate Secretary

IN WITNESS WHEREOF, this certification has been signed on the date indicated in the jurat.


JAYSON C. FERNANDEZ
Corporate Secretary

SUBSCRIBED AND SWORN to before me in Makati City this JUN 15 2023 2023.
Affiant who is personally known to me, exhibited to me his Passport No. P5655631A issued on 18 January 2018 at the DFA – NCR South.

Doc. No. 437 ;
Page No. 77 ;
Book No. 1 ;
Series of 2023.


ATTY. ARNOLD JANSEN V. SANTOS
Commission No. M-282
Notary Public for Makati City
Until December 31, 2023
21st Floor, Philamlife Tower
8767 Paseo de Roxas Makati City
Roll No. 69644
PTR No. 9567135 / 4-Jan-2023 / Makati City
IBP No. 180291 / 23-Nov-2022 (for 2023) / Makati City
MCLE Compliance No. VII-0011048

Annex F-1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUSTO A. ORTIZ**, Filipino, of legal age and a resident of 5 Mckinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

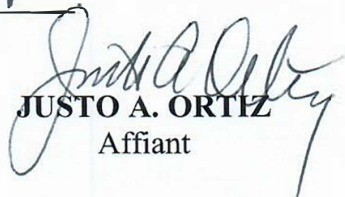
1. I am a nominee for independent director of Concepcion Industrial Corporation (the "Corporation") and have been its independent director since November 6, 2020.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Philippine Payments Management, Inc.	Chairman	October 2017-2022
	Member	Sept 2022- present
Fintech Philippines Association, Inc.	Chairman	May 2018 to present
Distributed Ledger Technology Association of the Philippines, Inc.	Chairman	May 2018 to present
Union Bank of the Philippines	Vice Chairman	May 22, 2020 to present
The Insular Life Assurance Co., Ltd.	Non-Executive Trustee	November 1, 2017 to present
Philippine Trade Foundation, Inc.	Member, Board of Trustees	January 1, 2011 to present
Makati Business Club	Member	1993 to present
World Presidents Organization	Member	January 1, 2018 to present
Management Association of the Philippines	Member	June 2014-present
	Member, Board of Governor	Jan 2019-Dec 2020
Pilmico Foods Corporation	Chairman	Feb 2021- present
Aboitiz Equity Ventures	Director	April 26, 2021
Union Digital Bank	Chairman	November 26, 2021 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am neither in government service nor affiliated with any government agency or government owned or controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this day MAY 31 2023 of _____, at PASIG CITY


JUSTO A. ORTIZ
 Affiant

SUBSCRIBED AND SWORN to before me this MAY 31 2023 day of _____ at PASIG CITY, affiant personally appeared before me and exhibited to me his/her Philippine Passport No. P0349890B issued at DFA Manila on January 22, 2019.

Doc. No. 369;
 Page No. 75;
 Book No. XVI;
 Series of 2023.

Nikki Neil Santos
 Notary Public for Pasig, San Juan and
 Pateros, Metro Manila
 Appointment No. 20 (2022-2023)
 Commission No. Expires On 12-31-2023
 PTR No. 0112649AA/ 1-4-23/ Pasig City
 IBP No. 264636/ 1-3-23 Pasig City (RSM Chapter)
 Roll of Attorneys No. 57961
 MCLE Compliance No. VII-0006121/ 12-1-2021
 18th Floor, UnionBank Plaza, Meralco Avenue
 Ortigas Center, Pasig City

Annex F-2

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LUIS Y. BENITEZ**, Filipino, of legal age and a resident of 611 Acacia Avenue, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

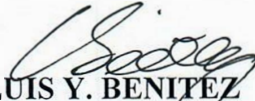
1. I am a nominee for Independent Director of **Concepcion Industrial Corporation** (the "Corporation") and have been its independent director since 26 October 2022.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Insular Life Assurance Co. Ltd.	Independent Trustee	2016 to Present
Insular Healthcare, Inc.	Independent Director	2021 to Present
CTBC Bank Philippines	Independent Director	2021 to Present
Philfirst Insurance Corp.	Independent Director	2021 to Present
Sta. Clara Construction Corp.	Independent Director	2015 to Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am neither in government service nor affiliated with any government agency or government owned or controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 1st day of June 2023, at Muntinlupa City.



LUIS Y. BENITEZ
Affiant

MUNTINLUPA CITY

01 JUN 2023

SUBSCRIBED AND SWORN to before me this _____ at _____ . Affiant personally appeared before me and exhibited to me his Driver's License No. N18-74-032668 valid until May 29, 2025.

Doc. No. 301;
Page No. 107;
Book No. 310;
Series of 2023.


PATRICIO M. BONCAYAO, JR.
Notary Public
2nd Floor, KLC Bldg., Rotonda,
Alabang, Muntinlupa City
MGLE Compliance No. VII-0015578
Issued on 04-13-22; Valid until 4-14-2025
IBP Lifetime No. 019651; 11-06-15; Pasay City
PTR No. 4347541; 01-03-23; Muntinlupa City
NC-22-031; Muntinlupa City until 12-31-23
TIN: 137-734-581
Roll No. 33796
Tel. No. 8800-70-16
patricio.boncayao@notarypublic.com.ph

Annex F-3

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CESAR A. BUENAVENTURA**, Filipino, of legal age and a resident of 58 McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

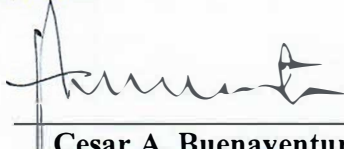
1. I am a nominee for independent director of Concepcion Industrial Corporation (the "Corporation") and have been its independent director since November 27, 2013.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Buenaventura Echauz & Partners, Inc.	Chairman	2001 to present
Mitsubishi Hitachi Power Systems Philippines, Inc.	Chairman	1995 to present
DMCI Holdings, Inc.	Vice Chairman	1995 to present
DM Consunji, Inc.	Director	1995 to present
International Container Terminal Services, Inc.	Director	2019 to present
iPeople, Inc.	Director	1991 to present
Petroenergy Resources Corp.	Director	1995 to present
Pilipinas Shell Petroleum Corporation	Director	1970 to present
Semirara Mining and Power Corp.	Director	1997 to present
The Country Club	Director	2015 to present
Manila Water Company, Inc.	Director	2021 to present
Pilipinas Shell Foundation, Inc.	Trustee	1983 to present
Bloomberry Cultural Foundation	Trustee	2015 to present
ICTSI Foundation	Trustee	2015 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any of the directors/officers/substantial shareholders of the Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am neither in government service nor affiliated with any government agency or government owned or controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this day _____ of **30 MAY 2023** ~~MUNTINLUPA CITY~~


 Cesar A. Buenaventura

PPT 3800A

30 MAY 2023

SUBSCRIBED AND SWORN to before me this _____ day _____ of at _____ ~~MUNTINLUPA CITY~~ personally appeared before me and exhibited to me his/her _____ issued at _____ on _____.

Doc. No. 225
 Page No. 16
 Book No. 300
 Series of 2023.

PATRICIO L. BUCAYAO, JR.
 Notary Public
 2nd Floor, KLC Bldg., Rotonda,
 Alabang, Muntinlupa City
 MCLE Compliance No. VII-0015578
 Issued on 04-13-22; Valid until 4-14-2025
 IBP Lifetime No. 019651; 11-06-15; Pasay City
 PTR No. 4347541; 01-03-23; Muntinlupa City
 NC-22-031; Muntinlupa City until 12-31-23
 TIN: 137-734-581
 Roll No. 33796
 Tel. No. 8800-70-16
 patricio_bucayao-lawoffice@uphea.com.ph

Annex G

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF CONCEPCION INDUSTRIAL CORPORATION

The Annual Meeting of the Stockholders of the Concepcion Industrial Corporation (the “Company”) was held on July 20, 2022, at 10:30 a.m., conducted virtually via Zoom.

Shareholder Attendance: 344,105,406 shares or 84.84% of the outstanding capital stock

Incumbent Directors Present:

Raul Joseph A. Concepcion	Chairman/President & CEO
Renna C. Hechanova-Angeles	Director
Raul Anthony A. Concepcion	Director
Raissa C. Hechanova-Posadas	Director
Ma. Victoria Herminia C. Young	Director
Jose Ma. A. Concepcion III	Director
Cesar A. Buenaventura	Independent Director
Justo A. Ortiz	Independent Director

Others Present:

Jayson L. Fernandez	Corporate Secretary
Rafael C. Hechanova, Jr.	EVP for Business Development
Rajan Komarasu	Chief Finance and Operating Officer
Ma. Victoria A. Betita	Chief Strategy and Transformation Officer
Alberto Alfonso Albano	Head of Investor Relations
Omar C. Taccad	Chief Compliance Officer

I. CALL TO ORDER

After welcoming the stockholders to the meeting, the Chairman, Mr. Raul Joseph A. Concepcion, noted that once again the Board decided to conduct the annual meeting of the stockholders virtually in light of reports on the rising number of COVID-positive cases in Metro Manila. As in the past, the Company worked hard to make the meeting as inclusive as possible by offering stockholders the opportunity to submit questions and cast votes *in absentia*. The stockholders were also advised that they could submit questions via electronic mail at investorrelations@cic.ph and the Chairman will endeavor to answer questions received within the allotted time.

The Chairman then called the meeting to order and introduced members of the Board of Directors who were also present in the meeting. He also acknowledged the emeritus board members, Messrs. Raul T. Concepcion and Jose T. Concepcion, Jr. After

which, the Chairman asked for a moment of silence to honor the late emeritus director, Mr. Rafael G. Hechanova, Sr., who passed away last August 26, 2021. Mr. Hechanova was a man of great intellect, vision and courage who contributed immensely to the development of Concepcion Industries, and his legacy will never be forgotten.

The Corporate Secretary, Mr. Jayson L. Fernandez, recorded the minutes of the meeting.

II. CERTIFICATION OF SERVICE OF NOTICE AND QUORUM

The Corporate Secretary informed the body that the notice and agenda of the meeting, together with the Definitive Information Statement which contains the procedures for attending the meeting via remote communication and for casting votes *in absentia* were posted on the website of the Company beginning on June 28, 2022. The notice and agenda of the meeting were also published in both print format and digital print copy form in the business section of Business Mirror and Manila Standard on June 28 and 29, 2022. The Corporate Secretary further stated that based on the online registration system established by the Company, there were present in person through remote communication, *in absentia* or duly represented by proxy at the meeting, stockholders who own or hold a total of 344,105,406 shares representing 84.84% of the total issued and outstanding capital stock of the Company. This number has been separately reviewed and confirmed by independent tabulators, Stock Transfer Services, Inc. and Isla Lipana & Co., whose representatives are in attendance for this annual meeting of the stockholders. The Corporate Secretary then certified the existence of a quorum for the valid transaction of business.

Upon request of the Chairman, the Corporate Secretary explained that the voting procedures were set forth in the Definitive Information Statement. In particular, a stockholder may vote either via a proxy in writing, in the form provided in the Definitive Information Statement, signed and filed by the stockholder on or before July 8, 2022, or by forwarding his ballot to the office of the Corporate Secretary or via email to cic.secretary@romulo.com. A stockholder voting electronically *in absentia* is deemed present for purposes of quorum.

The Chairman then notified the stockholders that as of 10:30 a.m, 340,105,406 issued and outstanding shares of the Company, or 84.84% of the total and outstanding voting stock have cast their votes in favor of the specified agenda items, including the election of the nominees to the Board of Directors.

III. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS HELD ON JULY 14, 2021

The Chairman stated that the next item on the Agenda was the approval of the Minutes of the Annual Meeting of the Stockholders held on July 14, 2021, a copy of which was made available to the stockholders for their perusal at the Company's website.

The Corporate Secretary stated that based on the tabulation of votes, stockholders present or represented by proxy at the meeting who owned 340,105,406 shares or 84.84% of the outstanding capital stock, voted in favor of the approval of the Minutes of the Annual Meeting of the Stockholders held on July 14, 2021.

IV. REPORT OF THE CHAIRMAN

The Chairman proceeded to the next item on the Agenda and delivered his Report. The Chairman's Report is quoted below:

“To our fellow shareholders, colleagues in the board, leadership and employees of Concepcion Industrial Corporation, good morning.

Welcome to the Annual Shareholders meeting of Concepcion Industrial Corporation. We meet again online, how I wished that this event could be held face to face, but at the current time it is not 100% safe.

Who would have imagined that for more than 2 years, the pandemic would still be disrupting all our lives? The pandemic has stretched into a complex combination of four crises rolled into one: health, social, economic, and even political, from what was initially just a health crisis.

For many, it is called “a perfect storm” as it has adversely affected every person and business in one way or another, leading to a global crisis that will be felt for many years even after the end of the pandemic.

CIC has not been spared by its widespread impact.

CIC reported net sales of Php 12.2 billion for the year ending December 31, 2021, a 14% increase from the previous year. Consolidating this with sales from our minority owned businesses, sales reached Php 15.1 billion, 16% higher than 2021 but 12% lower than the pre-pandemic levels. Our consolidated net income however declined 45% from the previous year to Php 0.4 billion.

In 2021, we faced serious headwinds - supply chain disruptions which led to higher cost and supply unpredictability; the weakening peso; high commodity prices and inflation. On top of this we were also affected with multiple events that weakened demand for our products – multiple lockdowns, commercial projects stoppages and the adverse effects of the super typhoon Odette which hit the company in Q4, a critical period for the durables business.

Mindful of the need to stay focused on the long-term despite adverse short-term results, we continued to pursue, albeit, more cautiously, our growth strategies including extending our core business, investments in digitalization, brand

revitalization, and corporate culture building – efforts that will drive the company’s transformative and long-term growth

As the world transitions into the endemic phase and slowly emerges from the pandemic, the fundamental shifts taking place created a need for CIC to realign our strategic focus, to be able to adapt to and navigate the ever-shifting economic landscape. From survival, we needed to focus our key priorities into four areas.

1. Effective Working Capital Management

Safeguarding and effectively managing our working capital is a key focus, especially in a disrupted economy. We aim to keep our financial assets safe ensuring a healthy balance sheet that will allow us to keep our financial obligations in such a way that the company will not run out of funds to pay shareholder dividends, repurchase company shares, as well as giving us the flexibility in making investment decisions to support strategic programs for the future.

2. People’s Safety & Engagement

As the economy reopens, keeping our people safe and creating a safe work environment are key priorities. We have conducted over 63,000 test and have inoculated 100% of our workforce and our employees’ eligible dependents. Our COVID-19 vaccination program is ongoing, offering booster vaccination to our employees and their household members. Likewise we have invested in retooling and training our people as we re-engage them back to face to face meeting and the office settings.

3. Business Recovery – Reigniting our Core Business and Brands

Given the shifting market conditions and changing customer behavior, we have accelerated our digital strategies to complement and strengthen our core business and brands. We have explored new ways of doing business and invested in E-Commerce, making our products and services more accessible to our consumers. We have also made logistics investments to enable us to fulfill product deliveries more efficiently. All these, coupled with product expansion and after sales investments as we position CIC to benefit from the Philippine growth story.

4. Adapting to the new normal

The COVID-19 pandemic has spawned a new breed of customers who are digitally coherent and prefer transacting remotely through online shops. The pandemic has tremendously changed the way customers behave. To transition the company from surviving to thriving, we pivoted our strategies and focused on investing in digital infrastructures, logistics,

human capital and building capabilities for the new normal.

In 2021, CIC launched ConcepStore (www.concepstore.com), an online shop that offers unique lifestyle home appliances, ranging from air conditioners and refrigerators, small domestic and kitchen appliances with bundled service packages. Concepstore offers same-day delivery which addresses the customers yearning for immediate gratification.

We also looked at the business in a different perspective, anticipating the prevailing needs of the niche market by introducing Under One Roof (UOR) – a one stop-shop for high-end residential and commercial projects, a source for comprehensive builder solutions capability, and a venue for architects, consultants, and developers to experience our best products.

To further complement these new ventures, we have strengthened Teko, an online platform that enables customers to easily book a professional technician for their appliance service needs.

These new ventures are strategic investments that will enable us to thrive in the new normal.

While we anticipate an upward trajectory for the domestic economy for 2022, we remain cautious and mindful of the persisting challenges that may disrupt the business and hamper the road to economic recovery. The ongoing geopolitical conflict in Eastern Europe that has triggered high inflation, record-high commodity price increases, supply shortages, and changing workforce. As well the ever-possible disruption caused by new variants of the corona virus.

However, the Philippines has proven its resilience time and time again. Driven by strong fundamentals, we remain confident of the continued long-term potential of the Philippines: the young and expanding population, the emergent middle class, the low penetration levels, the untapped OFW/BPO, the growing potential in the tourism business, and the aggressive government support for infrastructure projects.

We have also seen encouraging market and consumer shifts urging us to realign our strategic focus to be able to adapt to and navigate the ever-shifting economic landscape. We have also seen how our people have stepped up during these very challenging of times – tenacity, resourcefulness, and the ability to adapt and adjust to this new normal.

60 Years of Building Better Lives and Businesses

*2022 is a milestone year for us— this is the year when we honor the past, remembering how it all began with a vision of Philippine industrialization. Founded in 1962 as Concepcion Industries, Inc. (CII) by Jose Concepcion, Sr. we are celebrating **sixty years** of building better lives and businesses.*

In this present time, we still adhere to the principles and the core values that our Founder ingrained in us - we put the Filipinos at the core of our existence, and we are always inspired by our mission of uplifting the lives of the Filipinos even in the most difficult times.

As we celebrate this significant milestone, we remain cognizant of the need to transform in order to embrace and thrive in the future.

We take pride in the essence of why we exist as a Filipino company, our purpose of “Creating happy spaces for the Filipino people and businesses,” and we do this by creating a “branded” customer experience that drives delight to the consumers and build loyalty among the people we serve.

With much excitement and anticipation, we look forward to a brighter future. As we forge ahead, we embrace our core values that guided us ever since the beginning and throughout the years we have existed, through the darkest days of the COVID-19 pandemic.

*We are proud of being a Filipino company that is focused on **Innovating for Happier Outcomes, Going Above and Beyond, Doing the Right Thing, Making Customers Happy, caring for the People and the Planet, and Doing Our Best Always.***

In closing, allow me to thank our Board of Directors, the management team, and all our employees for their relentless service and dedication. I would also like to thank our business partners who have stayed committed in being our allies in providing the best products and services to the Filipino consumers; our customers who have continued to show loyalty to our brands for the last 60 years, and lastly, we send our heartfelt gratitude to our shareholders who have remained confident in CIC.”

In connection with the Chairman’s Report, the Chairman reminded the stockholders that the audited financial statements for the fiscal year ended December 31, 2021 of the Company contained in the Annual Report was posted in the Company’s website as indicated in the Notice of the Meeting.

At this point, the Chairman requested the moderator, Mr. Alberto Alfonso Albano, to read aloud any questions sent by stockholders relevant to the Report. Mr. Albano read the only question that was sent via email: “How is the Company being impacted by the falling peso, high commodity prices, and high inflation?”. The Chairman replied that these three factors, including large cost increases in shipping and logistics

cost, supply and components shortages and long lead times have resulted in higher cost for the Company. As a reference point, the Company's costs have increased anywhere between 15% to 25%, this before the latest peso depreciation depending on the product and source. The Company has taken steps to address the issues, by implementing price increases and cost reduction initiatives, mindful of the balance between demand, share and profitability. Management believes that this challenging situation will continue in the short term and will take tactical moves and initiatives as well as explore other opportunities and alternatives to soften the impact to the business.

V. APPROVAL OF THE REPORT OF THE CHAIRMAN AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

The next item on the Agenda was the approval of the Report of the Chairman and the audited financial statements for the year ended 31 December 2021.

The Corporate Secretary stated that based on the tabulation of votes, stockholders representing 84.84% of the outstanding voting stock of the Company voted in favor of the approval of the Chairman's Report and the audited financial statements of the Company for the year ended December 31, 2021, are hereby received, and adopted.

VI. ELECTION OF DIRECTORS

The next item on the Agenda was the election of directors of the Company for the ensuing corporate year.

The Corporate Secretary reported that there were nine (9) nominees for the nine (9) seats on the Company's Board of Directors for election at the meeting. The Corporate Governance and Nominations Committee screened the nine (9) nominees, including the nominees for independent directors, and deemed all of them qualified to be elected to the Board. He then read the names of the nominees for election as directors (including independent directors), as follows:

Raul Joseph A. Concepcion
Raul Anthony A. Concepcion
Renna C. Hechanova-Angeles
Raissa C. Hechanova-Posadas
Jose Ma. A. Concepcion III
Ma. Victoria Herminia A. Concepcion-Young
Cesar A. Buenaventura (as Independent Director)
Alfredo E. Pascual (as Independent Director)
Justo A. Ortiz (As Independent Director)

With respect to the nomination of Mr. Cesar A. Buenaventura as Independent Director who has been serving in this position for more than nine years, pursuant to the

guidelines of the Securities and Exchange Commission (“SEC”), the Board resolved to endorse his retention as Independent Director based on the meritorious justifications indicated in the Company’s Information Statement.

With respect to the nomination of Mr. Alfredo E. Pascual as Independent Director, Mr. Pascual tendered his resignation as director of the Company last June 30, 2022 in view of his appointment to the cabinet as Secretary of the Department of Trade and Industry, Thus, he will be unable to serve as director for the ensuing year.

Therefore, there are eight (8) persons nominated and available to be elected to the Board of Directors, all of whom have been deemed qualified to be elected by the Corporate Governance and Nominations Committee.

The Chairman instructed the Corporate Secretary to cast all votes in accordance with the instructions earlier provided to him by the shareholders together with their proxies. The Secretary certified that the following nominees received the number of votes indicated across their names:

Directors	Votes for	Percentage of total outstanding shares
Raul Joseph A. Concepcion	306,987,489	76.58%
Renna C. Hechanova-Angeles	304,280,489	75.90%
Raul Anthony A. Concepcion	330,387,481	82.41%
Jose Ma. A. Concepcion III	304,280,849	75.90%
Ma. Victoria Herminia C. Young	304,280,849	75.90%
Raissa C. Hechanova-Posadas	304,280,849	75.90%
Cesar A. Buenaventura	304,280,849	75.90%
Justo A. Ortiz	304,280,849	75.90%

The Chairman declared the above eight (8) nominees as the newly-elected members of the Board and announced that a special stockholders meeting will be called for the election of an independent director to fill the vacancy in the Board within a reasonable time after the Corporate Governance and Nominations Committee submits a list of qualified nominees as provided in the By-Laws and applicable regulations.

VII. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman stated that the next item on the Agenda is the appointment of external auditors.

The auditing firm of Isla Lipana & Co. was recommended by the Board to be reappointed as external auditors of the Company.

Considering that stockholders representing 78.33% of the outstanding capital stock of the Company, voted in favor of such recommendation, Isla Lipana & Co. was declared appointed as independent auditors of the Company to audit the financial statements of the Company for the fiscal year 2022, and the corresponding scope of services and proposed audit fees are likewise approved.

VIII. RATIFICATION OF THE ACTIONS TAKEN BY THE BOARD AND MANAGEMENT

The Chairman stated that the next item on the Agenda is the ratification of all actions taken by the Board of Directors and Management of the Company since the last Annual Meeting of the Stockholders on July 14, 2021. The acts and resolutions of the Board and Management are reflected in the Minutes of the Meetings, the material aspects of which are disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange, and a summary included in the Definitive Information Statement.

Considering that stockholders representing 340,105,406 shares or 84.84% of the outstanding capital stock voted in favor of this matter, the Corporate Secretary declared that all actions taken by the Board of Directors and Management of the Company during the period from July 14, 2021 up to the date of this meeting were ratified and confirmed.

IX. OTHER MATTER

The Chairman asked if there were other matters or business which the shareholders wished to take up in the meeting.

Mr. Albano replied that a question was sent via email asking what the Company sees in the post-covid environment. The Chairman remarked that Management believes the situation will be challenging in the short term. With the Philippine Peso at its lowest levels and inflation reaching all time highs, this will increase cost and weaken demand in the short term. That said, the fundamentals are in place for a recovery, and Management remains optimistic in the long term. The Philippines has a large and growing population. The growth of the middle class and urbanization continues. Income continues to be generated from the growth of the BPO industry and remittances from overseas Filipinos. We can see signs of hope from the 8.3% GDP growth in the first quarter and the recovery of the commercial sector. The potential market for the appliances remain high, with 60% of Filipinos still aspiring to own appliances and 1.5 million appliances repaired or replaced yearly. Throughout the pandemic, the Company never stopped laying down the foundation to thrive in the new normal. The Company continued to invest in digital platforms to capture the rise of e-Commerce. The Company will continue to pursue Customer Lifetime Value strategies that enable the Company to deepen its relationship with its end users. The cost structure has been fixed to prepare for the rough road ahead, while the Company continues to invest in its people so that they have the right skills to thrive in the times ahead. The Company never stopped investing in developing new

products and services, which Management believes will be needed in the post-COVID environment.

X. ADJOURNMENT

There being no further business to discuss, the Chairman adjourned the meeting and directed the Corporate Secretary to reflect the number of shares voting in favor of all matters taken up in the meeting in the minutes.

Considering that more than 85% of the total outstanding capital stock were virtually present or represented and have voted in this meeting, all matters so far taken up by the stockholders during the Annual Shareholders' Meeting are hereby approved and carried. The Chairman then directed the Corporate Secretary to reflect the number of shares voting in favor of the resolutions adopted in this meeting in the minutes.

The Chairman thanked the stockholders for their attendance.

CERTIFIED CORRECT:

JAYSON FERNANDEZ
Corporate Secretary

A T T E S T:

RAUL JOSEPH A. CONCEPCION
Chairman of the Board