



SEC Main Office  
The SEC Headquarters  
7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City , 1209

## electronic Official Receipt

### Transaction Details

<b>eOR Number</b>	20240620-PM-0079092-23
<b>Transaction Number</b>	613071048606
<b>Payment Date</b>	June 20, 2024 12:18 PM
<b>Payment Scheme</b>	maya-wallet
<b>Status</b>	COMPLETED
<b>Payment Status</b>	PAYMENT_SUCCESS

### Payment Assessment Details

<b>PAF No.</b>	20240620-10859860
<b>PAF Date</b>	2024-06-20 08:44:53
<b>Payor Name</b>	CONCEPCION INDUSTRIAL CORPORATION
<b>Payor Address</b>	MAKATI CITY

#	Nature of Collection	Account Code	Amount
1	Information Statement - Registrant	4020199099(678)	7,500.00
2	Legal Research Fee (A0823)	2020105000(131)	75.00
<b>TOTAL</b>			<b>7,575.00</b>

Total amount indicated herein does not include the convenience/service fee of the selected payment channel.



Machine Validation:

VALID UNTIL: AUGUST 04, 2024



Republic of the Philippines

DEPARTMENT OF FINANCE  
SECURITIES AND EXCHANGE COMMISSION  
The SEC Headquarters  
7907 Makati Avenue, Salcedo Village,  
Barangay Bel-Air, Makati City, 1209



**PAYMENT ASSESSMENT FORM**

No. 20240620-10859860

<b>DATE</b> 06/20/2024	<b>RESPONSIBILITY CENTER</b> MSRD
<b>PAYOR:</b> CONCEPCION INDUSTRIAL CORPORATION MAKATI CITY	

NATURE OF COLLECTION	QUANTITY	ACCOUNT CODE	AMOUNT
Information Statement - Registrant		4020199099 (678)	7,500.00
Legal Research Fee (A0823)		2020105000 (131)	75.00
----NOTHING FOLLOWS----			
<b>TOTAL AMOUNT TO BE PAID</b>			<b>Php 7,575.00</b>
<b>Assessed by:</b> fbdelfin <i>[Signature]</i>		<b>Amount in words:</b> SEVEN THOUSAND FIVE HUNDRED SEVENTY FIVE PESOS AND 00/100	
<b>Remarks:</b>			

**PAYMENT OPTIONS**

- Online payment thru eSPAYSEC at  
• <https://espaysec.sec.gov.ph>
- Over the Counter Payments at any LandBank branch nationwide

**BREAKDOWN SUMMARY**

FUND ACCOUNT	AMOUNT	ACCOUNT #
SEC SRC Current Account	7,500.00	0552-2222-88
SEC BTR Account - LRF	75.00	3402-2319-20
<b>TOTAL</b>	<b>Php 7,575.00</b>	

**NOTES:**

- The Payment Assessment Form (PAF) is valid until AUGUST 04, 2024.
- Accepted modes of payment at Landbank branches:
  - Cash
  - Manager's/Cashier's Check payable to the Securities and Exchange Commission
- For check payment, please prepare separate Manager's checks per fund account as indicated on the breakdown summary.
- For over the counter payment at LandBank:
  - Print 2 copies of PAF, 1 Client Copy, 1 LandBank copy
  - Accomplish the onColl Payment slip per fund account as indicated on the breakdown summary. Use the correct Fund Account and Account No. and provide the below information:
    - Reference Number 1 - PAF No.
    - Reference Number 2 - Name of Payor appearing on the PAF
  - Present OnColl Payment Slip, together with the PAF, to the LandBank Teller
- You may generate the electronic official receipt (eOR) by visiting <https://espaysec.sec.gov.ph/eor>
  - Payment thru ESPAYSEC – eOR available upon payment
  - LandBank OTC - eOR available within two (2) business days after the payment

F. ANY ALTERATIONS WILL INVALIDATE THIS FORM

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)

PRELIMINARY 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/91214111000>) on July 25, 2024 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 27, 2023 and Special Meeting of the Stockholders held on November 21, 2023;
4. Report of the Chairman;
5. Approval of the Audited Financial Statements as of December 31, 2023;
6. Election of Directors;
7. Appointment of External Auditor;
8. Ratification of All Actions taken by the Board and Management;
9. Other Matters; and
10. 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 25, 2024.

Stockholders may 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](mailto:cic.secretary@romulo.com) from **July 4, 2024 to July 15, 2024**.

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](mailto: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 21<sup>st</sup> Floor, AIA Tower, 8767 Paseo de Roxas, Makati City and/or by email to [cic.secretary@romulo.com](mailto:cic.secretary@romulo.com) not later than July 15, 2024. The proxies and ballots submitted shall be validated on July 18, 2024 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, 2023 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



- 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 27, 2023 and Special Meeting of the Stockholders held on November 21, 2023**

The minutes of the meeting held on July 27, 2023 and November 21, 2023 are available at the Corporation's website (<https://cic.ph/investor-relations/#annual-stockholders>). Copies of the said 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 2023.

**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 2023 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 2024-2025 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 27, 2023.

#### **9. 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.

#### **10. Adjournment**

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





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 25, 2024**

**Time: 10:00 am**

**Place: Virtually via Zoom**

**(<https://us02web.zoom.us/join/8441111111>)**

**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 4, 2024.**

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
<b>Common Shares</b>	<b>393,655,959</b>

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

Yes  No

If 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/meeting/register/tZUlfuysrz8rH9KDKyyY2qoWenyZyCYYZjxl](https://us02web.zoom.us/join/https://us02web.zoom.us/meeting/register/tZUlfuysrz8rH9KDKyyY2qoWenyZyCYYZjxl)) on July 25, 2024 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 4, 2024.

**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 24, 2024, all stockholders at the close of business hours on June 25, 2024 shall be entitled to notice and to vote at the Annual Stockholders' Meeting scheduled on July 25, 2024. 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 May 31, 2024 were as follows:

<b>Title of Class</b>	<b>Name and Address of Record / Beneficial Owner and</b>	<b>Relationship with Issuer</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>% to Total (Out-standing)</b>
Common	Foresight Realty & Development Corporation (Formerly Concepcion Holdings, Inc.) Sen. Gil Puyat Ave. Extension, Makati City	Stockholder	Filipino	92,580,290 <sup>1</sup>	23.52%
Common	Horizons Realty, Inc. Pioneer cor. Sheridan St., Mandaluyong City	Stockholder	Filipino	90,045,026 <sup>2</sup>	22.70%
Common	Hy-Land Realty and Development Corporation 308 Sen. Gil J. Puyat Ave., Makati City	Stockholder	Filipino	89,387,797 <sup>3</sup>	22.87%

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 III (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 May 31, 2024:

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Position</b>	<b>Citizenship</b>	<b>Number of Shares</b>	<b>Nature of Ownership</b>	<b>% of Class (Outstanding)</b>
Common	Raul Joseph A. Concepcion	Chairman and President Chief Executive Officer (up to December 31, 2023)	Filipino	1,024,160	Direct & Indirect	0.26%
Common	Renna C. Hechanova-Angeles	Vice Chairman and Treasurer	Filipino	3,227,816	Direct	0.82%
Common	Raul Anthony A. Concepcion	Vice Chairman	Filipino	2,230,952	Direct & Indirect	0.57%
Common	Ma. Victoria Herminia C. Young	Director	Filipino	1,149,073	Direct & Indirect	0.29%

<sup>1</sup> Including two (2) common shares held by its nominees.

<sup>2</sup> Including two (2) common shares held by its nominees.

<sup>3</sup> Including two (2) common shares held by its nominees.

Common	Jose Ma. A. Concepcion III	Director	Filipino	614,056	Direct & Indirect	0.16%
Common	Raissa C. Hechanova-Posadas	Director	Filipino	2,641,630	Direct	0.67%
Common	Cesar A. Buenaventura	Independent Director (Lead)	Filipino	3	Direct	0%
Common	Justo A. Ortiz	Independent Director	Filipino	3,500	Direct	0%
Common	Luis Y. Benitez, Jr.	Independent Director	Filipino	1	Direct	0%
Common	Isaias Ariel P. Fermin	Chief Executive Officer (Effective January 1, 2024)	Filipino	0	-	0%
Common	Rafael C. Hechanova, Jr.	Chief Corporate Affairs Officer EVP for Business Development, CDI Vice Chairman, CTC	Filipino	4,207,614	Direct & Indirect	1.07%
Common	Ma. Victoria A. Betita	Chief Strategy and Transformation Officer (Retired effective March 21, 2024)	Filipino	38,978	Direct	0.01%
Common	Rajan Komarasu	Chief Finance and Operating Officer President and CEO, COPI and Alstra Treasurer, CTC Chairman, Tenex	Singaporean	51,800	Direct	0.01%
Common	Harold T. Pernikar	President, CDI	American	1,560	Direct	0%
Common	Alexander T. Villanueva	General Manager for Integrated Logistics	Filipino	12,500	Direct	0%
Common	Phillip F. Trapaga	President, CCAC and Tenex	Filipino	12,120	Direct	0%
Common	Omar C. Taccad	Chief Legal Counsel and Chief Compliance Officer	Filipino	0	-	0%
Common	Marivic B. Landicho	Chief Audit Executive	Filipino	0	-	0%
Common	Jennie Rose D. David	Investor Relations Lead	Filipino	0	-	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 of the Issuer and the Key Management officers of CIC and Subsidiaries**

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

**(a) Directors**

<b>Name and Position</b>	<b>Age</b>	<b>Citizenship</b>	<b>Term of Office as a Director / Officer</b>	<b>Period Served As A Director / Officer</b>	<b>Directorship Held In Other Philippine Companies</b>
<b>Raul Joseph A. Concepcion</b>	62	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 Chief Executive Officer (up to December 31, 2023)					
<b>Renna C. Hechanova-Angeles</b>	68	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					
<b>Raul Anthony A. Concepcion</b>	54	Filipino	1 year	Since July 5, 2013	Foresight Realty and Development Corporation, Concepcion Durables, Inc.
Vice Chairman					
<b>Jose Ma. A. Concepcion III</b>	66	Filipino	1 year	Since July 5, 2013	Horizons Realty, Inc. RFM Corporation
Director					
<b>Ma. Victoria Herminia C. Young</b>	65	Filipino	1 year	Since July 5, 2013	Horizons Realty, Inc., RFM Corporation Concepcion Durables, Inc.
Director					
<b>Raissa C. Hechanova-Posadas</b>	64	Filipino	1 year	Since July 5, 2013	Hy-land Realty and Development Corporation, Knowledge Channel Foundation, Inc.
Director					
<b>Cesar A. Buenaventura</b>	94	Filipino	1 year	Since November 27, 2013	Buenaventura Echaz & Partners, Inc. Systems Philippines, Inc. DMCI Consunji, Inc. DMCI Holdings, Inc. International Container Terminal Services, Inc. iPeople, Inc. Petroenergy Resources Corp. Semirara Mining and Power Corp. The Country Club Manila Water Company, Inc. Bloomerry Cultural Foundation Pilipinas Shell Foundation, Inc. ICTSI Foundation
Independent Director (Lead)					

<b>Justo A. Ortiz</b>	66	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					
<b>Luis Y. Benitez, Jr.</b>	77	Filipino	1 year	Since October 26, 2022	Insular Life Assurance Co. Ltd, CTBC Bank Philippines, Insular Healthcare, Inc. Philfirst Insurance Corporation Sta. Clara Construction Corp.
Independent Director					

**(b) Executive Officers**

<b>Name and Position</b>	<b>Age</b>	<b>Citizenship</b>	<b>Term of Office as a Director / Officer</b>	<b>Period Served As A Director / Officer</b>	<b>Directorship Held In Other Philippine Companies</b>
<b>Raul Joseph A. Concepcion</b>	62	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 Chief Executive Officer (up to December 31, 2023) Chairman and President, CMI Chairman, CCAC and COP1					
<b>Renna C. Hechanova-Angeles</b>	68	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					
<b>Raul Anthony A. Concepcion</b>	54	Filipino	1 year	Since July 5, 2013	Foresight Realty and Development Corporation, Concepcion Durables, Inc.
Vice Chairman Chairman, CDI					
<b>Isaias P. Fermin</b>	56	Filipino	5 months	Since 1 January 2024	Alstra Incorporated

Chief Executive Officer (Effective January 1, 2024)					Concepcion Durables, Inc. Concepcion-Otis Philippines, Inc. Teko Solutions Asia, Inc. Concepcion Midea, Inc. Cortex Technologies Corporation
<b>Rafael C. Hechanova, Jr.</b>	66	Filipino	1 year	Since 30 December 1997	Hy-land Realty and Development Corporation, Concepcion Durables, Inc., Cortex Technologies Corp., Concepcion Business Services, Inc., Alstra Incorporated, Teko Solutions Asia, Inc.
Chief Corporate Affairs Officer Executive Vice President, Business Development, CDI Vice Chairman, CTC					
<b>Maria Victoria A. Betita</b> (Retired effective March 21, 2024)	56	Filipino	1 year	Since 14 November 2011	Alstra Incorporated, Concepcion Otis Philippines, Inc.
Chief Strategy and Transformation Officer					
<b>Rajan Komarasu</b>	58	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 CEO and President, COPI and Alstra Treasurer, CTC Chairman, Tenex					
<b>Omar C. Taccad</b>	55	Filipino	1 year	Since 9 July 2018	Cortex Technologies Corporation
Chief Compliance Officer and Chief Legal Officer					
<b>Marivic B. Landicho</b>	51	Filipino	11 months	Since 27 July 2023	None
Chief Audit Executive					
<b>Jennie Rose D. David</b>	32	Filipino	5 months	Since 21 November 2023	None
Investor Relations Lead					
<b>Jayson L. Fernandez</b>	53	Filipino	1 year	Since 18 July 2013	None
Corporate Secretary					
<b>Roxanne Viel C. Santos Cua</b>	39	Filipino	1 year	Since 15 July 2020	ARLA FOODS CORPORATION

Assistant Corporate Secretary					(formerly Dofu 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. R&M Properties, Inc. Warner Bros. Discovery Philippines, Inc.
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(c) Key Management Officers of CIC and Subsidiaries

Name and Position	Age	Citizenship	Term of Office as a Director / Officer	Period Served As A Director / Officer	Directorship Held In Other Philippine Companies
<b>Teodoro L. Ruiz</b> Chief Human Resources Officer	53	Filipino		Since 16 October 2023	None
<b>Harold Thomas Pernikar, Jr.</b> President, CDI	47	American	1 year	Since 18 February 2013	Concepcion Durables, Inc.,
<b>Merril Yu</b> Chief Experience Officer	67	Filipino	1 year	Since 29 April 2021	Tenex Services, Inc.
<b>Phillip F. Trapaga</b> President, CCAC  President, Tenex Services, Inc.	60	Filipino	1 year	Since 15 July 2013	Concepcion Midea, Inc. Tenex Services Inc.
<b>Anna M. Alejandro</b> General Manager, CMI	43	Filipino	1 year	Since 25 May 2022	None



<b>Alexander T. Villanueva</b>	52	Filipino	1 year	Since 15 May 2006	
General Manager for Integrated Logistics Services					
<b>Michael Eric I. Sarmiento</b>	54	Filipino	1 year	Since 8 March 2020	Concepcion Business Services, Inc.
General Manager, Shared Services; President and COO, CBSI					
<b>Steven B. Santos</b>	49	Filipino	1 year	Since 1 January 2024	None
General Manager for Direct to Consumer Business and Digital Solutions Group					

The information on the business experience of the members of the Board of Directors, Executive Officers and Key Management Officers of CIC and Subsidiaries 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 20, 2024 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 25, 2024.

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 Herminia 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 11<sup>th</sup> year as independent director. 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 20, 2024 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:

	2023		2022		2021	
	Transactions*	Outstanding receivable (payable)	Transactions*	Outstanding receivable (payable)	Transactions*	Outstanding receivable (payable)
<b>Shareholders</b>						
Rent and utilities	66,087	-	62,495	(7,597)	56,933	-
Lease of warehouse	43,441	-	42,589	-	36,047	-
Advance Rental	-	-	-	-	1,683	-
Security Deposit	-	-	-	-	1,493	-
Dividend declaration	198,956	-	401,855	-	401,955	-
Reimbursements from shareholders	141	598	368	613	594	866
Reimbursements to shareholders	-	(1,157)	1,157	(1,157)	1,157	-
<b>Associate</b>						
Administrative services	32,206	14,761	24,774	4,542	22,180	2,058
Transfer of employees	7,870	7,870	7,961	7,844	2,763	(2,763)
Purchase of goods, net of return	671	(1,691)	2,637	(2,000)	16,280	(27)
Sale of goods	8,798	2,565	1,645	1,087	8,143	4,937
Product loan	-	-	-	-	94	(94)
Advance collections	-	-	-	-	1,771	(1,771)
Transaction fees	2,782	258	2,769	4	3,036	-
Reimbursements from associates	140,421	76,172	127,181	37,677	173,338	15,198
Reimbursement to associates	1,234	(1,735)	4,078	(6,680)	63,138	(28,265)
<b>Entities under common control</b>						
Rent and utilities	35,330	(2,944)	35,607	(5,746)	34,119	-
<b>Entities with common Shareholders</b>						
Commission income	1,351	1,351	11,038	-	6,650	-
Dividend declaration	216,100	-	241,300	-	266,564	-
Purchases, net purchase returns	2,156,124	(335,915)	1,727,306	(258,196)	165,020	(90,434)
Collections (Payments) in behalf of a related party	-	-	-	(3,672)	(136)	(4,113)
Reimbursements	23	(2,181)	3,137	(593)	-	-
Royalty/Technical fee	57,147	(46,075)	53,849	(9,695)	51,895	(2,678)
<b>Key management personnel</b>						
<b>Short-term</b>						
Directors' fees	6,553	(9,505)	1,918	(2,952)	3,368	(4,329)
Salaries and wages	386,010	(83,992)	389,093	(78,671)	361,865	(82,658)
<b>Long-term</b>						
Retirement benefit	16,993	(244,994)	18,154	(197,744)	57,841	(179,616)
<b>Retirement plan</b>						
Contributions to the retirement fund	-	-	1,532	-	17,412	-
Claims from the retirement fund	-	-	-	3,555	-	-

\*amount of transactions for 2023 & 2022 – net of VAT (2021– 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 2023.

(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, 2023:

Name	Position
Raul Joseph A. Concepcion	Chief Executive Officer of CIC
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 2021, 2022, 2023 and 2024 (forecast):

	Year	Total (1)
(Amounts are in millions)		
CEO and the most highly compensated officers named above		
.....	2021	106.5
	2022	111.0
	2023	118.9
	2024 (est.)	143.7
Aggregate compensation paid to all officers and Directors as a group		
Unnamed		
.....	2021	175.6
	2022	186.4
	2023	209.8
	2024 (est.)	272.7

Note:

(1) includes salary, bonuses and other income

As approved by the Board of Directors on January 31, 2023 and by the Stockholders on July 27, 2023, each Director is entitled to receive *per diem* allowance of Php50,000.00 for attending Board meetings and Php50,000.00 for attending Committee meetings. In addition, the Chairman of the Audit & Risk Oversight Committee receives a fee of Php50,000.00 per month. The Directors are also entitled to a bonus equivalent to P300,000.00 or 1.5% of prior year's Profit After Tax After Minority Interest, divided equally among all members of the Board of Directors, whichever is higher.

Total compensation of each member of the Company's Board of Directors in their capacity as directors of the Company in the year 2023, is as follows:

Director	Audit & Risk Oversight Committee Chairman Fees	Audit & Risk Oversight	BOD Meetings	Corporate Governance Nomination and Remuneration	Strategy & Investments	Incentive	Grand Total
CESAR BUENAVENTURA	-	60,000.00	130,000.00	60,000.00		341,858.04	591,858.04
JOSE MA. CONCEPCION III	-		15,000.00			341,858.04	356,858.04
JUSTO ORTIZ	-	90,000.00	145,000.00	20,000.00	135,000.00	341,858.04	731,858.04
LUIS BENITEZ JR.	425,000.00	135,000.00	195,000.00	60,000.00			815,000.00
MA. VICTORIA HERMINIA YOUNG	-	90,000.00	195,000.00		110,000.00	341,858.04	736,858.04
RAISSA HECHANOVA-POSADAS	-	110,000.00	195,000.00		110,000.00	341,858.04	756,858.04
RAUL ANTHONY CONCEPCION	-		145,000.00			341,858.04	486,858.04
RENNA HECHANOVA-ANGELES	-		195,000.00	60,000.00		341,858.04	596,858.04
<b>Grand Total</b>	<b>425,000.00</b>	<b>485,000.00</b>	<b>1,215,000.00</b>	<b>200,000.00</b>	<b>355,000.00</b>	<b>2,393,006.28</b>	<b>5,073,006.28</b>

### 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 2023 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 2023. 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 2024-2025.

### 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 2021, 2022 and 2023 for each of the professional services rendered by the Group's external auditors are summarized as follows:

<b>NATURE OF AUDIT (in '000 Php)</b>	<b>FIRM</b>	<b>CIC</b>	<b>CCAC</b>	<b>CDI</b>	<b>COPI</b>	<b>CMI</b>	<b>CBSI</b>	<b>CTC</b>	<b>TEKO</b>	<b>ALSTRA</b>	<b>TENEX</b>	<b>TOTAL</b>
<b>2023</b>												
External Audit	PWC	710	886	842	800	491	500	168	80	12	80	4,569
Impairment of Goodwill and Valuation of Intangible assets report	P&A	1,045	-	-	-	-	-	-	-	-	-	1,045
Actuarial Valuation Report	EMZ	-	45	25	-	20	24	14	17	-	20	165
Tax Consultancy	SGV	1,108	764	-	-	30	-	-	-	-	-	1,902
	ROMULO	235	110	-	120	110	123	-	-	-	-	698
	IGD	-	-	-	-	180	2,016	-	-	-	-	2,196
	AAA	-	-	-	-	215	-	-	-	-	-	215
Transfer Pricing	Deloitte	-	-	-	-	116	-	-	-	-	-	116
<b>TOTAL</b>		<b>3,098</b>	<b>1,805</b>	<b>867</b>	<b>920</b>	<b>1,162</b>	<b>2,663</b>	<b>182</b>	<b>97</b>	<b>12</b>	<b>100</b>	<b>10,906</b>

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
<b>TOTAL</b>		<b>2,251</b>	<b>1,137</b>	<b>3,825</b>	<b>1,795</b>	<b>877</b>	<b>2,176</b>	<b>224</b>	<b>120</b>	<b>38</b>	<b>100</b>	<b>12,542</b>
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
<b>TOTAL</b>		<b>2,306</b>	<b>2,955</b>	<b>1,004</b>	<b>745</b>	<b>468</b>	<b>2,095</b>	<b>253</b>	<b>138</b>	<b>137</b>	<b>40</b>	<b>10,141</b>

#### 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**

There is no stockholders' action to be taken with respect to Compensation Plans.

#### **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, 2023 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 2023. Attached is the Management Report and the Audited Financial Statements for the period ending December 31, 2023, 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 2023.

###### (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 27, 2023, as follows: (1) election of the officers of the Company, (2) appointment of the members of the Board's committees, (3) approval to amend the By-Laws and calling for a special stockholders meeting on November 21, 2023 for presentation and approval of the amendments; (4) authorizing the holding of the special stockholders meeting on November 21, 2023 virtually and the attendance and voting shall be exercised in person or through a proxy by way of remote communication or in absentia; (5) authorization to renew credit facilities with Bank of the Philippine Islands; (6) approval of the Company's audited financial statements as of December 31, 2023; (7) approval of the proposal by Cortex Technologies Corporation to reclassify a portion of its outstanding common shares to preferred shares and amending its articles of incorporation; (8) approval of the proposal by Concepcion Business Services, Inc. to increase its authorized capital stock by creating preferred shares of stock and amending its articles of incorporation; (9) declaration of cash dividends; (10) change of signatories and authority limits for bank accounts; (11) appointment of Isla Lipana & Co. (Pricewaterhouse Coopers Philippines) as external auditors for 2024; (12) setting of Annual Stockholder's Meeting on July 25, 2024; and (13) authorizing the holding of the 2024 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.

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 27, 2023 and Special Meeting of the Stockholders held on November 21, 2023

The Minutes of the Annual Meeting of the Stockholders on July 27, 2023 and Special Meeting of the Stockholders held on November 21, 2023 (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 20, 2024:

- 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 2023 Audited Financial Statements and the Management Report

The approval of the 2023 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:

<b>Subject Matter</b>	<b>Votes Required</b>
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 27, 2023 and Special Meeting of the Stockholders held on November 21, 2023	Majority of the votes cast
Approval of the 2023 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 25, 2024 to one vote. Pursuant to the resolutions adopted by the board of directors on 24 April 2024, 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 15, 2024.

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**

Pursuant to the resolutions adopted by the board of directors on 24 April 2024, 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](mailto:cic.secretary@romulo.com) on or before July 15, 2024.

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

*[Intentionally left blank]*

**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 19th day of June 2024.

**CONCEPCION INDUSTRIAL CORPORATION**

By:

  
JAYSON D. FERNANDEZ  
Corporate Secretary

## ANNEX A

### THE CURRENT BOARD OF DIRECTORS OF THE COMPANY FOR THE 2023-2024 TERM

Name	Position	Date Elected To The Board	Citizenship	Age
Raul Joseph A. Concepcion	Chairman and President Chief Executive Officer (up to December 31, 2023)	July 27, 2023	Filipino	62
Renna C. Hechanova-Angeles	Vice-Chairman and Treasurer	July 27, 2023	Filipino	68
Raul Anthony A. Concepcion	Vice-Chairman	July 27, 2023	Filipino	54
Jose Ma. A. Concepcion III	Director	July 27, 2023	Filipino	66
Ma. Victoria Heminia C. Young	Director	July 27, 2023	Filipino	65
Raissa C. Hechanova-Posadas	Director	July 27, 2023	Filipino	64
Cesar A. Buenaventura	Independent Director (Lead)	July 27, 2023	Filipino	94
Justo A. Ortiz	Independent Director	July 27, 2023	Filipino	66
Luis Y. Benitez, Jr.	Independent Director	July 27, 2023	Filipino	77

**Raul Joseph A. Concepcion**  
*Chairman and President*

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**  
*Vice Chairman*

Mr. Raul Anthony A. Concepcion was 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, President of Mondo Cucina, Inc., 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 agribusiness 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 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).

**Cesar A. Buenaventura**  
*Lead 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 Echaz and Partners, Inc. He is also the Vice Chairman of the Board of Directors of DMCI Holdings, Inc. Mr. Buenaventura likewise holds a directorship position in the boards of DM Consunji, Inc., International Container Terminal Services, Inc. (ICTSI), iPeople, Inc., Petronenergy Resources Corp., Semirara Mining and Power Corp., The Country Club, Manila Water Company, Inc., Pilipinas Shell Foundation, Inc and ICTSI Foundation. 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 is the Chairman of Philippine Payments Management, Inc., Fintech Philippines Association, Inc. Distributed Ledger Technology Association of the Philippines Inc., and Union Digital Bank. He serves as 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 Management Association of the Philippines, 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 holding his position in the Union Bank of the Philippines, 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. and Insular Healthcare, Inc., 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.

#### **EXECUTIVE OFFICERS AND KEY MANAGEMENT OFFICERS**

<b>Position</b>	<b>Name</b>	<b>Citizenship</b>	<b>Age</b>
Chairman and President, CIC and CMI Chief Executive Officer (up to December 31, 2023) Chairman, CCAC and COPI Vice Chairman and Treasurer	Raul Joseph A. Concepcion	Filipino	62
Vice Chairman Chairman, CDI	Renna C. Hechanova-Angeles	Filipino	68
Chief Executive Officer (Effective January 1, 2024)	Raul Anthony A. Concepcion	Filipino	54
Chief Corporate Affairs Officer Executive Vice President, Business Development, CDI Vice Chairman, CTC	Isaias Ariel P. Fermin	Filipino	56
Chief Strategy and Transformation Officer (Retired effective March 21, 2024)	Rafael C. Hechanova, Jr.	Filipino	66
Chief Finance and Operating Officer; CEO and President, COPI and Alstra; Treasurer, CTC Chairman, Tenex	Ma. Victoria A. Betita	Filipino	56
Chief Legal Counsel and Compliance Officer	Rajan Komarasu	Singaporean	58
Chief Audit Executive	Omar C. Taccad	Filipino	55
Investor Relations Lead	Marivic B. Landicho	Filipino	51
Corporate Secretary	Jennie Rose D. David	Filipino	31
Assistant Corporate Secretary	Jayson L. Fernandez	Filipino	53
Chief Human Resources Officer	Roxanne Viel C. Santos	Filipino	39
President, CDI	Teodoro L. Ruiz	Filipino	53
Chief Experience Officer	Harold Thomas Pernikar, Jr.	American	47
President, CCAC	Merril Yu	Filipino	67
General Manager, CMI	Phillip F. Trapaga	Filipino	60
General Manager for Integrated Logistics	Anna M. Alejandro	Filipino	43
General Manager, Shared Services; President and COO, CBSI	Alexander T. Villanueva	Filipino	52
General Manager for Direct to Consumer Business and Digital Solutions Group	Michael Eric I. Samiento	Filipino	54
	Steven Santos	Filipino	49

**Raul Joseph A. Concepcion**  
*Chairman and President, CIC, CMI*  
*Chief Executive Officer*  
*(up to December 31, 2023) and President*

**Renna C. Hechanova-Angeles**  
*Vice Chairman and Treasurer*

**Raul Anthony A. Concepcion**  
*Vice Chairman*  
*Chairman, CDI*

**Isaias Ariel P. Fermin**  
*Chief Executive Officer (effective January 1, 2024)*

**Rafael C. Hechanova, Jr.**  
*Chief Corporate Affairs Officer*  
*Executive Vice President, Business Development,*  
*CDI*  
*Vice Chairman, CTC*

**Rajan Komarasu**  
*Chief Finance and Operating Officer*  
*CEO and President, COPI and Alstra;*  
*Treasurer, CTC*  
*Chairman, Tenex*

Please refer to the table of Directors above.

Please refer to the table of Directors above.

Please refer to the table of Directors above.

Mr. Isaias Ariel P. Fermin was appointed as Chief Executive Officer effective January 1, 2024. Mr. Fermin has held senior leadership positions at renowned multinational companies such as Procter & Gamble, Coca-Cola, Unilever, and Nike, as well as local publicly listed companies Max's Group, Inc. (MGI), Jollibee Foods and PLDT. His extensive background covers brand management, product development, retail and sales operations, supply chain management, and general management. He obtained his degree in Chemical Engineering from the University of the Philippines in Diliman.

Mr. Rafael C. Hechanova, Jr. has served the Company since 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 Hyland. 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.

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*  
*(Retired effective March 21, 2024)*

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

**Marivic B. Landicho**  
*Chief Audit Executive*

Ms. Marivic B. Landicho was appointed as Chief Audit Executive on July 27, 2023. Ms. Landicho has over thirty years of strong and progressive experience in Internal Auditing, Compliance and Fraud Investigation in some of the most highly regulated industries. She has held various key positions as Vice President and Chief Audit Executive with notable experience in leading transformative audit initiatives at renowned organizations within the banking and healthcare sectors, with demonstrated expertise in fortifying internal controls, driving compliance, and uncovering financial irregularities. She obtained her Bachelor of Science degree from the De La Salle University and is a Certified Public Accountant and Certified Internal Control Auditor.

**Omar C. Taccad**  
*Chief Legal Counsel and Compliance Officer*

Mr. 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.

**Jennie Rose D. David**  
*Investor Relations Lead*

Ms. Jennie Rose D. David was appointed as Investor Relations Lead on November 21, 2023. Prior to joining CIC, Ms. David worked as a content analyst in Thomson Reuters for 6 years, then as the investor relations officer of Shinagawa Lasik Aesthetics. She holds a Bachelor of Science Degree Major in Financial Management in San Beda University, and Juris Doctor Degree in Arellano University of Law.

**Jayson L. Fernandez**  
*Corporate Secretary*

Mr. 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*

Ms. 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.

**Teodoro L. Ruiz**  
*Chief Human Resources Officer*

Mr. Teodoro L. Ruiz joined the CIC Group on October 16, 2023. He is an ICF credentialed professional coach and accomplished HR professional with over thirty years of experience in human resource management, labor relations, organizational development and change management. His expertise spans various industries, including pharmaceutical and consumer healthcare, food and beverage, manufacturing and global business services. He obtained his Bachelor's Degree in Industrial Psychology *cum laude* from the Polytechnic University of the Philippines and master's degree from the Erasmus University Rotterdam in the Netherlands (Nuffic Fellow). He has also completed management and leadership programs at INSEAD Business School in Singapore and International Institute of Management Development (IMD) in Switzerland.

**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 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.

**Alexander T. Villanueva**  
*General Manager for Integrated Logistics*

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**  
*President, CCAC and Tenex*

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  
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. He was the SVP & General Manager of its ROHQ, Primer Resources Corp and Deputy CFO of the Intellectual Property Venture Group (IPVG) prior to joining CIC. 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*

Meril Yu is the Chief Consumer Experience Officer of CIC. Mr. Yu 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.

**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, Ms. Alejandro 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. Ms. Alejandro holds a bachelor's degree in accountancy from the Philippine School of Business Administration.

**Steven Santos**  
*General Manager for Direct to Consumer  
Business and Digital Solutions Group*

Steven Santos is the General Manager for Direct-to-Consumer Business and Digital Solutions Group. He has more than 20 years of experience on internet startups, online classifieds, e-commerce, digital media and remote working companies. He has extensive knowledge in marketing management, strategic negotiations, e-commerce, payments, digital transformation, business consulting, strategic planning, business development, sales and operations. Prior to joining CCAC, Mr. Santos was the General Manager of Remote Staff and Country Managers for Tribe Limited and Property24. He also played key management roles for Multiply.com Philippines, Yahoo and SM Supermalls. He graduated from the Ateneo De Manila University and completed his MBA program from the University of the Philippines.

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, 2023, the Company's audited proforma consolidated net sales and services amounted to P14.7 billion and its audited proforma consolidated net income was P0.4 billion and a profit after tax and non-controlling interest of P0.4 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, 2023, 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% <sup>1</sup>
Tenex Services, Inc. (Tenex)		80%

<sup>1</sup> Teko is in the process of securing the Certificate Authorizing Registration for the share transfers to Cortex Technologies Corporation.

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. (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.

***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. On September 29, 2023, CTC was appointed as the distribution arm of CIC for its strategic partnership with JS Global to market and sell home appliances branded under "Shark" and "Ninja".

***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**

The Company does not engage in exportation business.

#### **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.

The Company's nationwide distribution network includes direct wholesale and retail operations, authorized retail partners and dealers, own e-commerce sites (Concepstore, Mang Kosme, brand-specific shopping sites), major partner platforms such as Shopee and Lazada), and a comprehensive network of authorized service centers and installers for aftermarket parts and service sales. This approach ensures broad accessibility and high-quality service for our diverse customer base.

#### **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 corisk manampressors, 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 888 (composed of 396 female and 492 male employees).

### Risk Management

The company recognizes that effective Risk Management is essential to the company's long-term growth, resilience and sustainability. It is also a key factor in the achievement of the Company's strategy and objectives. In 2022, the company established and organized a robust Enterprise Risk Management system to identify, assess, mitigate business risks and to promote risk-intelligent decision making across the organization.

### Risk Policy Statement

The company's risk management policy applies to the holding company, its subsidiaries and affiliates. The policy provides the company's overall commitment and direction to promote risk awareness culture through established risk management organization and framework. An iterative process of at least annual risk assessment is carried out from the process level up to the strategy formulation. The business units participate in the identification, assessment, review and monitoring of risks and the key risk report and updates are reported to the highest management and the Audit and Risk Oversight Committee of the Board.

### Risk Management Organization

The company has an established risk governance structure which involve all key stakeholders in the organization. The Corporate Risk Management facilitates the regular risk assessment activities according to the company's framework. A portfolio view of risks is done to look at the risks from a wholistic view for efficient resource deployment, opportunity-taking and harmonization of action plans for interrelated and cross-function risks. Risk mitigations are employed at the operational, financial and strategic levels to address the critical and high risks and those risks that exceed the risk appetite of the management. Risk avoidance, risk transfer, risk reduction are some of the actions taken to address the risks items.

The risk identification process involves scanning of risks across different categories as follows:

Risk Category	Risk Description
Strategic	Risks having an impact on the Group's business model and its ability to meet its mission, execute the strategies and business objectives. This includes risks brought by macroeconomic and other societal influences or driven by demographic, economic, political and technological factors.
Operational	These are risks resulting from inadequate or failed internal processes, people and systems that disrupt the company's business operations.
Financial	These risks are associated with the financial transactions, funding, and investment decisions of the company.
Information and Technology	Information Technology (IT) risks refer to potential threats and vulnerabilities associated with the use of technology and the management of information within an organization. These risks can impact the confidentiality, integrity, and availability of data and systems.
Talent Management	Risks related to the process of acquiring, developing, retaining, and managing an organization's workforce to achieve its business goals. It involves activities in recruiting, onboarding, training, performance management, and succession planning to ensure the organization has the right people with the right skills in the right positions at the right time.
Legal and compliance	These risks are associated with the company's transactions, contractual agreements, and compliance with applicable laws and regulations.
Emerging	These include evolving risks where the impact and likelihood are not yet fully known. The company conducts a scan of other potential risks that may have an impact to the organization.

## 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 May 31, 2024 was Php 12.20.

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

Price (in Php/share)	2024		2023		2022		2021	
	High	Low	High	Low	High	Low	High	Low
First Quarter	13.58	12.08	17.28	12.22	22.70	19.62	22.65	20.05
Second Quarter	-	-	16.00	10.68	20.75	18.00	23.40	19.70
Third Quarter	-	-	17.68	12.50	19.50	16.60	24.00	20.00
Fourth Quarter	-	-	17.36	13.50	17.70	15.00	23.00	20.10

## Holders

As of May 31, 2024, there were a total of 27 shareholders of record of the Company's common shares. The total issued shares as of said date stood at 407,263,891 of which 13,607,932 are held in treasury and 13.56% are held by foreign shareholders.

The top 20 shareholders of record as at May 31, 2024 are as follows:

	Name of Shareholder	No. of Shares Held	% (Outstanding)
1	PCD Nominee Corporation - Filipino	172,039,301	43.7
2	Horizons Realty, Inc.	90,045,026	22.87
3	Foresight Realty and Development Corporation	90,000,000	22.86
4	PCD nominee Corporation - Non-Filipino	53,387,343	13.56
5	Sole Luna Inc.	998,963	0.25
6	Macric Incorporated	786,669	0.20
7	John T. Lao	1,560	0
8	Gabrielle Claudia F. Herrera	1,100	0
9	Joselito Corpus Herrera	1,100	0
10	Nadezha Iskra F. Herrera	1,100	0
11	Mary Joan Ilao- Ante	780	0
12	Hanson Chua Go	324	0
13	Angelo Decretales Mabunay	324	0
14	Jesus San Luis Valencia	156	0
15	Jaybee C. Baraquel	100	0
16	Owen Nathaniel S. au itf: li marcus au	16	0
17	Cesar A. Buenaventura	3	0
18	Alfred Reiterer	3	0
19	Jose Ma. A. Concepcion III	3	0
20	Ma. Victoria Herminia C. Young	3	0

- Treasury Shares (13,607,932) are lodged PCD Nominee – Filipino.
- A portion of Foresight Realty and Development Corporation's shareholdings (2,580,290) are lodged under PCD Nominee-Filipino, the actual percentage of the said shareholder is 23.52%.

## 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)
March 29, 2023	April 18, 2023	April 25, 2023	0.50	199.0
February 16, 2022	March 17, 2022	April 12, 2022	1.00	401.9
February 10, 2021	February 10, 2021	April 12, 2021	1.00	402.0



On March 26, 2024, the Company's Board declared cash dividends in the amount of P0.70 per share totaling P277.6 million on all shares of common stock issued and outstanding to shareholders of record as at April 15, 2024, which were paid on April 26, 2024.

#### **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, 2023, 2022, 2021 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 2023**

**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, 2023 compared with year ended December 31, 2022**

CIC's strong performance in the fourth quarter contributed to the business' upward trajectory, concluding the year with a strong finish of Php 14.7 billion net sales and Php 667.3 million consolidated earnings, achieving 11% and 86% growth, respectively.

##### **Segment Net Sales**

Consumer Business generated sales of P10.0 billion in the full year, which accounted for 68% of CIC's total net sales. This was an increase of 3% versus last year and primarily attributed to strong sales of window room and highwall air conditioners, laundry equipment and no frost refrigerators partly offset by lower sales volume of direct cool and light commercial refrigerators.

Commercial Business achieved sales of P4.6 billion, posting a solid growth of 36% mainly from higher air conditioning and elevator equipment sales as well as aftermarket service sales for both product categories.

### Gross Profit

CIC registered consolidated gross profit of P4.7 billion for the year, a 15% growth versus the previous year and a growth rate faster than sales. This was driven by lower cost of raw materials and finished goods and impact of a stable peso.

### Operating Expenses

CIC's total operating expenses increased by 12% to P3.8 billion to support sales growth such as promodiser salaries and incentives, advertising and promotions as well as employee and volume-related costs.

### Other Operating Income (loss) and Finance Costs

Other operating income ended at P52.1 million, 179% higher than last year largely driven by lower foreign exchange loss in addition to higher interest income on time deposits and other income. Finance cost of P25.6 million pertained to interest expense on lease liabilities and short-term borrowings.

### Net Income

CIC ended the year with net income of P667.3 million, an 86% growth versus last year. The favorable result was attributed to higher sales and margins, lower foreign exchange loss and CMI's (Associate) income coming from good sales performance. Profit after tax after minority interest (PATAMI) was P383.3 million, an increase of P229.4 million against 2022.

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>		
	2023	2022	2021
Net Sales and Services			
Consumer Business	10,020	9,759	9,677
Commercial Business	4,566	3,361	2,529
Others	75	55	33
Total	<u>14,661</u>	<u>13,175</u>	<u>12,239</u>
Cost of Sales and Services			
Consumer Business	6,859	6,762	6,504
Commercial Business	3,111	2,332	1,652
Others	36	26	18
Total	<u>10,006</u>	<u>9,119</u>	<u>8,174</u>
Gross Profit	<u>4,655</u>	<u>4,056</u>	<u>4,065</u>

## FINANCIAL CONDITION

### As at December 31, 2023 compared with as at December 31, 2022

The Company maintained a healthy financial condition characterized by financial stability, healthy liquidity and prudent management of assets and liabilities. Consolidated total assets as of December 31, 2023 stood at P12.2 billion, higher by P0.5 billion from end of 2022 balance of P11.8 billion. This was due to increase in cash and cash equivalents and receivables attributed to higher sales, partly offset by lower.

Consolidated net cash position rose by P0.7 billion to P2.4 billion because of increased collections and improved inventory management.

Total liabilities amounted to P5.3 billion, higher by P0.2 billion versus last year, due to timing of payment of trade payables.

Shareholders' equity increased by 3% to P6.9 billion owing to higher earnings in 2023.

CIC maintained its current performance at healthy levels, with debt-to-equity registering at 0.77.

### **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.

## **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 0.76.

### **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 2<sup>nd</sup> Quarter and the 3<sup>rd</sup> 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.

### Key Performance Indicators

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

	2023	2022	2021
Gross Profit Margin	31.8%	30.8%	33.2%
Profit Before Tax	6.2%	4.3%	4.8%
Net Income Attributable to Shareholders (in Php Millions)	383.3	153.8	164.8
Net Income Attributable to Shareholders (% to Sales)	2.6%	1.2%	1.3%
Return on Average Equity	7.7%	3.1%	3.1%
Return on Average Assets	5.6%	3.0%	3.0%
Earnings per Share*	0.96	0.4	0.4
Debt to Equity Ratio	0.8	0.8	0.7
Asset-to-Equity Ratio	1.8	1.8	1.7
Book Value Per Share*	12.7	12.2	12.9

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, 2023 – 397,912,491(2022 - 400,161,134; 2021 – 401,895,091)

### 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		
	2023	2023	2023
Net cash flows provided by (used in) operating activities	1,516.7	1,516.7	1,516.7
Net cash flows used in investing activities	68.3	68.3	68.3
Net cash flows used in financing activities	763.3	763.3	763.3
Net increase (decrease) in cash and cash equivalents	685.1	685.1	685.1

The net cash flows provided by operating activities for the year ended 2023 amounted to P1.5 billion composed of income before provision for income tax of P0.9 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 2023 were at P68.3 million, mainly for the acquisition of property and equipment.

The net cash flows used in financing activities for the year ended 2023 were at P0.7 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, 2023.

#### **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, 2023, CIC's capital expenditures totaled to P99.2 million, relating to renovation, purchase of machinery and equipment and software upgrades.

#### **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**

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

CIC declared a cash dividend of P0.70 per share to all stockholders on record as of April 15, 2024 and payable on April 26, 2024.

#### **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 27, 2023 AND SPECIAL MEETING OF THE STOCKHOLDERS HELD ON NOVEMBER 21, 2023**

Please refer to Annexes "G" and "H" hereof for copies of the minutes of the annual stockholders meeting held on July 27, 2023 and special meeting of the stockholders held on November 21, 2023.. 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, AIA Tower, 8767 Paseo de Roxas, Makati City.**



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, 2024
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.  Use Only)  
Industry Classification Code:
7. **308 Sen. Gil Puyat Avenue, Makati City, Philippines** **1209**  
Address of principal office Postal Code
8. **+632 7721819**  
Issuer's telephone number, including area code
9. N/A  
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	<b>396,612,491</b> (as of March 31, 2024)
11. Are any or all of these securities listed on a Stock Exchange.  
  
Yes [  ] 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 [  ] No [  ]  
  
(b) has been subject to such filing requirements for the past ninety (90) days.  
  
Yes [  ] No [  ]
13. The aggregate market value of the voting stock held by non-affiliates of the registrant is P1.3 billion. The price used for this computation is the closing price as of March 31, 2024 is P12.08.

## 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 “Tenex Services Inc.” (“Tenex”) (collectively, the “Group”) for the periods ended March 31, 2024 and 2023, and the audited consolidated financial statements of the group as at December 31, 2023, are attached to this 17-Q report, comparing the following:

- 1.1 Consolidated Statements of Financial Position as at March 31, 2024 and December 31, 2023 (Annex A)
- 1.2 Consolidated Statements of Total Comprehensive Income for the periods ended March 31, 2024 and 2023 (Annex B)
- 1.3 Consolidated Statements of Changes in Equity for the periods ended March 31, 2024 and 2023 (Annex C)
- 1.4 Consolidated Statements of Cash Flows for the periods ended March 31, 2024 and 2023 (Annex D)
- 1.5 Notes to Consolidated Financial Statements as at March 31, 2024 and December 31, 2023 and for the periods ended March 31, 2024 and 2023 (Annex E)

### Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations [(based on the Unaudited Consolidated Results for the Quarters and Periods Ended March 31, 2024 (Annex F)]

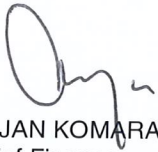
## PART II – OTHER INFORMATION

The following reports on SEC Form 17-C was filed during the 1st quarter (Q1) of 2024:

Date of Report	Items Reported
January 29, 2024	Notice of Investors’ Briefing
January 31, 2024	CIC Press Release on Business Updates (Fourth Quarter of 2023 and Full Year 2023)
March 7, 2024	Buy-Back Transaction
March 8, 2024	Buy-Back Transaction
March 14, 2024	Retirement of Officer – Maria Victoria A. Betita, Chief Strategy and Transformation Officer
March 26, 2024	Approval of 2023 Audited Financial Statements and 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.

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a series of loops and a horizontal line.

RAJAN KOMARASU  
Chief Finance and Operating Officer

April 24, 2024

**ANNEX A****Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Financial Position  
As at March 31, 2024 and December 31, 2023  
(All amounts in thousand Philippine Peso)

	Notes	2024	2023
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	2	2,095,864	2,372,614
Trade and other receivables, net	3	4,416,059	3,745,305
Contract assets		1,003,943	849,419
Inventories, net	4	3,409,132	2,489,373
Prepayments and other current assets		216,624	241,591
Total current assets		11,141,622	9,698,302
<b>Non-current assets</b>			
Property and equipment, net		462,076	435,257
Investment property		40,255	40,255
Investment in associates	5	127,753	98,891
Intangible assets, net	6	115,925	118,980
Goodwill	6	806,682	806,682
Right-of-use assets, net		309,310	341,101
Deferred income tax assets, net		651,015	620,497
Other non-current assets		88,177	82,935
Total non-current assets		2,601,193	2,544,598
<b>Total assets</b>		<b>13,742,815</b>	<b>12,242,900</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	7	6,042,247	4,107,377
Short-term borrowings	8	4,600	4,600
Lease liabilities		135,088	191,304
Provision for warranty		85,368	80,775
Other provisions		112,472	104,175
Income tax payable		2,219	-
Total current liabilities		6,381,994	4,488,231
<b>Non-current liabilities</b>			
Retirement benefit obligation	12	661,621	641,245
Lease liabilities		203,053	181,282
Provision for warranty		3,401	2,874
Total non-current liabilities		868,075	825,401
Total liabilities		7,250,069	5,313,632
<b>Equity</b>			
Attributable to owners of the Parent Company			
Share capital	13	407,264	407,264
Share premium	13	993,243	993,243
Treasury shares	13	(257,058)	(241,464)
Retained earnings		3,776,272	3,949,873
Other comprehensive loss		(69,814)	(69,814)
		4,849,907	5,039,102
Non-controlling interest		1,642,839	1,890,166
Total equity		6,492,746	6,929,268
<b>Total liabilities and equity</b>		<b>13,742,815</b>	<b>12,242,900</b>

The notes on pages 1 to 9 are integral part of these consolidated financial statements.

**ANNEX B****Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Total Comprehensive Income  
For the periods ended March 31, 2024 and 2023  
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2024	2023
Net sale of goods		3,571,976	2,656,137
Sale of services		259,763	225,582
<b>Net sales</b>	9	3,831,739	2,881,719
Cost of sales and services	10	(2,518,236)	(1,879,198)
<b>Gross profit</b>		1,313,503	1,002,521
Operating expenses	11	(1,119,845)	(899,942)
Other operating income (loss), net		25,952	17,193
<b>Operating income</b>		219,610	119,772
Interest expense		(2,847)	(5,271)
<b>Income before share in net income (loss) of associates and income tax</b>		216,763	114,501
Share in net income (loss) of associates	5	28,862	12,484
<b>Income before income tax</b>		245,625	126,985
Income tax expense		(59,924)	(33,761)
<b>Net income for the year</b>		185,701	93,224
<b>Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss</b>			
Remeasurement gain (loss) on retirement benefits, net of tax		-	-
<b>Total comprehensive income for the year</b>		185,701	93,224
<b>Net income (loss) attributable to:</b>			
Owners of the Parent Company		104,028	53,655
Non-controlling interest		81,673	39,569
		185,701	93,224
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		104,028	53,655
Non-controlling interest		81,673	39,569
		185,701	93,224
Earnings (loss) per share - basic and diluted	14	0.26	0.13

The notes on pages 1 to 9 are integral part of these consolidated financial statements.



**ANNEX C****Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Changes in Equity  
For the periods ended March 31, 2024 and 2023  
(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)		
<b>Notes</b>	13	13	13				
<b>Balances as at January 1, 2024</b>	407,264	993,243	(241,464)	3,949,873	(69,814)	1,890,166	6,929,268
<b>Comprehensive income</b>							
Net income for the year	-	-	-	104,028	-	81,673	185,701
Remeasurement gain (loss) on retirement benefits, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	104,028	-	81,673	185,701
<b>Transactions with owners</b>							
Cash dividends declared	-	-	-	(277,629)	-	(329,000)	(606,629)
Treasury shares	-	-	(15,594)	-	-	-	(15,594)
Total transactions with owners	-	-	(15,594)	(277,629)	-	(329,000)	(622,223)
<b>Balances as at March 31, 2024</b>	407,264	993,243	(257,058)	3,776,272	(69,814)	1,642,839	6,492,746
<b>Balances as at January 1, 2023</b>	407,264	993,243	(241,464)	3,765,573	(51,816)	1,825,659	6,698,459
<b>Comprehensive income</b>							
Net income for the period	-	-	-	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
<b>Transactions with owners</b>							
Cash dividends declared	-	-	-	(198,956)	-	(216,100)	(415,056)
Impact of Share Transfer on NCI	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(198,956)	-	(216,100)	(415,056)
<b>Balances as at March 31, 2023</b>	407,264	993,243	(241,464)	3,620,272	(51,816)	1,649,129	6,376,628

The notes on pages 1 to 9 are integral part of these consolidated financial statements.

**Concepcion Industrial Corporation and Subsidiaries**

Consolidated Statements of Cash Flows  
For the periods ended March 31, 2024 and 2023  
(All amounts in thousand Philippine Peso)

	2024	2023
<b>Cash flows from operating activities</b>		
Income before income tax	245,624	126,985
Adjustments for:		
Provisions for (reversals of):		
Warranty cost	36,331	36,933
Contingencies	36,314	(16,040)
Inventory obsolescence	17,621	3,754
Commission	15,155	15,403
Impairment of receivables	9,340	1,629
Amortization of right-of-use assets	45,346	38,640
Depreciation and amortization of property and equipment	36,270	46,078
Retirement benefit expense	29,189	15,002
Interest expense	3,310	5,534
Amortization of intangible assets	3,026	4,845
Unrealized foreign exchange losses (gains)	2,065	(3,196)
Loss (Gain) on disposal of property and equipment	(33)	(49)
Gain on sale of investments, net of tax	-	(9)
Interest income on bank deposits, short-term placements	(11,652)	(5,837)
Share in net loss (income) of associates	(28,862)	(12,484)
Operating income before working capital changes	439,045	257,188
Changes in:		
Trade (net of provision)* and other receivables and Contract Assets	(311,786)	687,742
Inventories	(957,090)	(1,054,886)
Prepayments and other current assets	17,712	(208,595)
Other non-current assets	4,448	(5,009)
Trade payables and other liabilities	880,052	517,483
Cash generated from operations	72,381	193,923
Interest received on bank deposits	2,805	2,183
Income tax paid	(12)	-
Payments of other provisions	(5,201)	(13,055)
Retirement contributions/ benefits directly paid by the Group	(2,500)	(6,090)
Payments of provision for warranty cost	(30,356)	(34,837)
Net cash provided by (used in) operating activities	37,117	142,124
<b>Cash flows from investing activities</b>		
Interest received from short-term placements	7,983	1,451
Proceeds from disposal of property and equipment	343	131
Additions to property and equipment	(66,456)	(31,227)
Net cash used in investing activities	(58,129)	(29,645)
<b>Cash flows from financing activities</b>		
Payment of short-term borrowings	-	(109,000)
Interest on short-term borrowings	(547)	(840)
Interest paid on lease liabilities	(2,763)	(3,561)
Acquisitions of treasury shares	(15,594)	-
Principal repayment of lease liabilities	(47,834)	(25,835)
Cash distributions of profits	(189,000)	(130,100)
Net cash used in financing activities	(255,738)	(269,336)
<b>Net increase (decrease) in cash and cash equivalents</b>	(276,750)	(156,857)
Cash and cash equivalents as at January 1	2,372,614	1,688,163
<b>Cash and cash equivalents as at March 31</b>	2,095,864	1,531,306

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

The notes on pages 1 to 9 are integral part of these consolidated financial statements.

**Concepcion Industrial Corporation and Subsidiaries**

Notes to the Unaudited Consolidated Financial Statements  
As at March 31, 2024 and December 31, 2023 and for the  
periods ended March 31, 2024 and 2023

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

**Note 1 - General information****1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries are incorporated and operating in the Philippines.

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

CIC and its subsidiaries are collectively called 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, 2024 and December 31, 2023, CIC has three (3) regular employees.

## 1.2 Significant business developments

On March 26, 2024, the CIC board approved the issuance of Redeemable Preferred Stock of CTC to capitalize the existing loan from CIC of P277 million and subscribe up to P50 million of preference stock. In addition, to fund for Shark Ninja and direct-to-consumer business operations, CTC has been authorized to borrow up to P100 million from the banks.

On March 26, 2024, the CIC board approved the increase of authorized capital stock of CBSI to P500 million and issuance of Redeemable Preferred Stock to capitalize the existing loan from CIC of P127 million and subscribe additional stock up to P100 million to fund for working capital requirements.

### **Note 2 - Cash and cash equivalents**

Cash and cash equivalents as at March 31, 2024 and December 31, 2023 consist of:

	2024	2023
Cash on hand	312	415
Cash in banks	918,780	1,060,754
Short-term placements	1,176,772	1,311,445
Total	2,095,864	2,372,614

Cash in banks and short-term placements amounting to P1,972,464 and P123,088 (2023 – P2,226,946 and P145,253) are made with universal and commercial banks, respectively, that earned interest at the prevailing bank deposit rates.

For the period ended March 31, 2024, total interest income earned from cash in banks and short-term placements amounted to P11,652 (2023 –5,837).

### **Note 3 - Trade and other receivables, net**

Trade and other receivables as at March 31, 2024 and December 31, 2023 consist of:

	2024	2023
Trade receivables		
Third parties	4,890,829	4,140,219
Related parties	2,952	17,326
Provision for volume rebates, trade discounts and other incentives	(655,440)	(567,956)
Provision for impairment of receivables	(177,188)	(183,032)
Net trade receivables	4,061,153	3,406,557
Non-trade receivables, net		
Advances to/Claims from suppliers	137,930	153,496
Related parties	92,899	86,249
Advances to employees	34,129	27,328
Rental deposits	843	1,160
Others, net	89,105	70,515
	354,906	338,748
Total Trade and Other Receivables, net	4,416,059	3,745,305

#### *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.

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.

On that basis, the loss allowance as at March 31, 2024 and December 31, 2023 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%	
<b>2024</b>					
Trade receivables					
Third parties	3,496,455	1,190,578	75,553	128,242	4,890,829
Related parties	268	2,684	-	-	2,952
	3,496,723	1,193,263	75,553	128,242	4,893,781
Contract assets	1,003,943	-	-	-	1,003,943
<b>Total</b>	<b>4,500,666</b>	<b>1,193,263</b>	<b>75,553</b>	<b>128,242</b>	<b>5,897,724</b>
Loss allowance	-	25,406	39,198	112,584	177,188
<b>2023</b>					
Trade receivables					
Third parties	2,997,063	904,521	101,143	137,492	4,140,219
Related parties	5,172	12,154	-	-	17,326
	3,002,235	916,675	101,143	137,492	4,157,545
Contract assets	849,419	-	-	-	849,419
<b>Total</b>	<b>3,851,654</b>	<b>916,675</b>	<b>101,143</b>	<b>137,492</b>	<b>5,006,964</b>
Loss allowance	-	-	52,594	130,438	183,032

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.

#### **Note 4 - Inventories, net**

Inventories, net as at March 31, 2024 and December 31, 2023 consist of:

	Note	2024	2023
At cost			
Raw materials		1,110,918	1,155,853
Finished goods	10	1,592,606	1,223,368
Work in process	10	5,724	574
Inventories-in-transit		773,644	143,524
Spare-parts and supplies used in business		86,973	91,608
		3,569,865	2,614,927
Provision for inventory obsolescence		(160,733)	(125,554)
Inventories, net		3,409,132	2,489,373

For the period ended March 31, 2024, the cost of inventories recognized under cost of sales and services amounted to P2,363,248 (2023 – 1,736,471) (Note 10).

#### **Note 5 - Investments in Associate**

Details of movement in investment in associate as at March 31, 2024 and December 31, 2023 follow:

	2024	2023
At cost, beginning	260,000	260,000
Additional investments	-	-
At cost, ending	260,000	260,000
Cumulative share in total comprehensive loss, beginning	(161,109)	(169,991)
Share in net income (loss) for the year	28,862	9,415
Share in other comprehensive income (loss) for the year	-	(533)
Reversal of accumulated net loss in Tenex	-	-
Cumulative share in total comprehensive loss, ending	(132,247)	(161,109)
Investment in Associates	127,753	98,891

As at March 31, 2024 and December 31, 2023, 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.

### *Impairment test for goodwill*

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at March 31, 2024 and December 31, 2023. The Group did not recognize impairment losses for the period ended March 31, 2024 and December 31, 2023 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU). 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 March 31, 2024.

## **6.2 Intangible assets, net**

Details and movements of intangible assets account at March 31, 2024 and December 31, 2023 are shown below:

	Customer relationship	Customer backlogs	Computer software	Total
<b>Cost</b>				
At January 1, 2024	187,113	13,883	118,561	319,557
Additions (adjustments)	-	-	-	-
At March 31, 2024	187,113	13,883	118,561	319,557
<b>Accumulated amortization</b>				
At January 1, 2024	75,876	13,883	110,818	200,577
Amortization	1,871	-	1,184	3,055
At March 31, 2024	77,747	13,883	112,002	203,633
Net book values at March 31, 2024	109,366	-	6,559	115,925
<b>Cost</b>				
At January 1, 2023	187,113	13,883	118,561	319,557
Additions (adjustments)	-	-	-	-
At December 31, 2023	187,113	13,883	118,561	319,557
<b>Accumulated amortization</b>				
At January 1, 2023	68,392	13,883	101,439	183,714
Amortization	7,484	-	9,379	16,863
At December 31, 2023	75,876	13,883	110,818	200,577
Net book values at December 31, 2023	111,237	-	7,743	118,980

**Note 7 - Trade payables and other liabilities**

Trade payables and other liabilities as at March 31, 2024 and December 31, 2023 consist of:

	2024	2023
Trade payables		
Third parties	2,283,645	1,051,779
Related parties	557,067	337,606
Total Trade Payables	2,840,713	1,389,385
Accrued expenses		
Project costs	561,958	541,677
Outside services	277,822	238,351
Personnel Costs	245,858	426,398
Advertising and promotion	58,759	29,377
Importation costs	57,908	40,034
Rental and utilities	53,273	42,552
Freight	52,628	47,128
Professional fees	20,037	18,654
Repairs and maintenance	5,682	5,541
Others	114,347	79,515
Total Accrued expenses	1,448,272	1,469,227
Other liabilities		
Dividends payable	417,629	-
Advances on sales contract	348,307	302,323
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	316,844	199,792
Output value-added tax (VAT), net of input VAT	277,511	291,337
Withholding taxes and other mandatory government remittances	44,401	42,564
Related parties	4,633	54,092
Others	343,937	358,657
Total Other Liabilities	1,753,262	1,248,765
Total	6,042,247	4,107,377

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

**Note 8 - Short-term borrowings**

Movements of short-term borrowings as at March 31, 2024 and December 31, 2023 are as follows:

	2024	2023
Beginning	4,600	114,000
Borrowings	-	-
Payments	-	(109,400)
Ending	4,600	4,600

As at March 31, 2024 and December 31, 2023, the Group has unsecured interest-bearing short-term loans ranging from three (3) to six (6) months from 7.25% to 7.35% (2023 -6.75% to 7.35%).

Interest paid on borrowings during the period ended March 31, 2024 amounted to P547 (2023 – P840).



**Note 9 - Revenue from contracts with customers**

Details of net sales and services for the periods ended March 31 are as follows:

	2024	2023
Gross sales		
Sale of goods (Point in time)	4,061,087	3,014,760
Sale of services (Over time)	259,763	225,582
	4,320,850	3,240,342
Deductions		
Trade and volume discounts and other incentives	(405,473)	(280,731)
Sales returns	(83,638)	(77,892)
	(489,111)	(358,623)
Net sales and services	3,831,739	2,881,719

The Group revised the breakdown of revenue and related deductions for the period ended March 31, 2023 to conform with the current year presentation. The changes did not impact previously reflected net income, financial position and cash flow.

**Note 10 - Cost of sales and services**

Details of cost of sales and services for the periods ended March 31 are as follows:

	Note	2024	2023
Raw materials used		1,396,386	1,554,655
Labor		55,032	53,087
Overhead		155,924	158,144
Total manufacturing cost		1,607,341	1,765,887
Work-in-process, beginning	4	574	572
Work-in-process, ending	4	(5,724)	(467)
Cost of goods manufactured		1,602,192	1,765,991
Finished goods inventory, beginning	4	1,223,368	1,510,893
Gross purchases - trading		1,130,295	534,312
Finished goods available for sale		3,955,855	3,811,196
Finished goods inventory, ending	4	(1,592,606)	(2,074,725)
Total cost of sales		2,363,248	1,736,471
Cost of installation and services		146,196	144,383
Others		8,792	(1,657)
Total cost of services		154,988	142,726
Total cost of sales and services		2,518,236	1,879,198

## **Note 11 - Operating expenses**

Details of operating expenses for the periods ended March 31 are as follows:

	2024	2023
Personnel costs	422,919	392,327
Outside services and professional fees	257,108	163,819
Outbound freight	102,023	80,681
Advertising and promotion	71,235	51,366
Rent and utilities	39,852	36,442
Warranty cost	36,090	37,854
Provision for (Reversal of) inventory obsolescence	35,180	3,037
Amortization of right-of-use assets	35,171	38,542
Depreciation and amortization	15,278	14,395
Transportation and travel	13,359	11,607
Taxes and licenses	11,829	9,739
Provision for contingencies	10,925	5,250
Provision for impairment of receivables	10,153	1,629
Royalty	10,128	8,456
Repairs and maintenance	4,861	3,053
Amortization of intangible assets	3,025	4,574
Others	40,709	37,170
	1,119,845	899,942

## **Note 12 - Retirement plan**

The following are the details of the retirement benefit obligation (asset) and retirement benefit expense as at March 31, 2024 and December 31, 2023:

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<i>2024</i>									
Retirement benefit obligation	24,348	385,936	151,118	90,254	4,714	925	3,738	587	661,621
Retirement benefit expense	891	14,281	5,987	5,516	1,409	66	351	688	29,189
<i>2023</i>									
Retirement benefit obligation	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
Retirement benefit expense	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318

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, 2024 and December 31, 2023, 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, 2024 and for the year ended December 31, 2023 follows:

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2023	397,912,491	407,264	993,243	(241,464)
Acquisition of treasury shares	-	-	-	-
December 31, 2023	397,912,491	407,264	993,243	(241,464)
Acquisition of treasury shares	1,300,000	-	-	(15,594)
March 31, 2024	396,612,491	407,264	993,243	(257,058)

### 13.2 Dividend declaration

Cash dividends declared, attributable to owners of CIC, for the period ended March 31, 2024 and for the year ended December 31 are as follows:

Declaration date	Payment date	Per share	2024	2023	2022
March 26, 2024	April 26, 2024	0.7	277,629	-	-
March 29, 2023	April 25, 2023	0.5	-	198,956	-
February 16, 2022	April 12, 2022	1.0	-	-	401,855

For the period ended March 31, 2024 and for the year ended December 31, 2023, NCI from profit distribution of CCAC and COPI amounted to P280,000 and P49,000, respectively (2023 – P172,000 and P44,100, 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.

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.

On March 6 and 7, 2024, CIC repurchased additional shares of 1 million and 0.3 million shares, respectively, totaling to P15.6 million. As at March 31, 2024, the total amount of shares repurchased was P183 million out of the approved buyback of P300 million.

As at March 31, 2024 and December 31, 2023, treasury shares amounted to P257 million and P241 million.

### **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 periods ended March 31 is calculated as follows:

	2024	2023
Net income (loss) attributable to owners of the Parent Company	104,028	53,655
Weighted average common shares - basic and diluted (in '000)	396,845	397,912
Basic and diluted earnings per share	0.26	0.13

The basic and diluted earnings per share are the same for each 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)**

**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 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 in 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, 2024, 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% <sup>1</sup>
Tenex Services, Inc. (Tenex)		80%

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

**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 aftermarket parts. CCAC also offers other brands such as Condura and Kelvinator.

<sup>1</sup>Teko is in the process of securing the Certificate Authorizing Registration for the share transfers to Cortex Technologies Corporation.

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 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 in the manufacture, sale and distribution 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 to laundry and kitchen appliances such as ovens, rice cookers and coffee makers.

#### ***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. (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 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 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. On September 29, 2023, CTC was appointed as the distribution arm of CIC for its strategic partnership with JS Global to market and sell home appliances branded under "Shark" and "Ninja".

### ***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 high-rise residential buildings, commercial and industrial buildings. 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 2024**

**Macroeconomic Fundamentals:** Philippine economy is expected to accelerate in the first quarter with an unofficial GDP growth estimate of 6.1% due to higher infrastructure spending in both government-funded and public-private partnership projects. Overall inflation ended at 3.3% average for the quarter, a relief from last year's highs, though an uptrend due to acceleration of food prices amid the dry season. Consumer sentiment showed a slight improvement in Q1 compared to the Q4 of last year, brought by expectations on additional and higher income and employment. Business sentiment on the contrary turned less optimistic mainly due to concerns on post-holiday decline in consumer demand and business activities, inflationary pressures, and adverse effects of El Niño.

**Construction Sector Developments:** There was a continuous upward trend in total construction starts across all categories. Privately funded projects maintained a significant output in total construction commencement.

**Commodity Prices:** The Company depends on raw materials sourced from third parties to produce most of its products. Raw materials represent about 88% of the Company's manufactured cost of sales. Commodity prices showed an uptrend due to elevated world market prices.

**Weather:** Effects of El Niño were felt across the country with conditions leading to agricultural damage and water shortages. Prevalent dry condition remains active and expected to persist until May. However, climate models suggest a transition to neutral conditions in May to June with a likelihood of La Niña to develop between June to August.

## **Description of Selected Income Statement Items**

### **Net Sales**

The Company generates revenues from sales of its heating, ventilation and air conditioning (HVAC) including repairs and maintenance services, refrigeration units, laundry and kitchen appliances through its subsidiaries, CCAC, Tenex, and CDI, including sales and service of elevators and escalators in COPI, and building and operating a platform to provide appliance repair and maintenance services in Teko.

### **Costs and Expenses**

- Cost of sales and services

The Company's cost of sales and services comprises 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 costs, 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) 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 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 income 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 at entity level - 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 periods ended March 31, as follows (amounts are in millions):

	Consumer business	Commercial business	Others	Total
<b>2024</b>				
Net sales and services	2,827	981	24	3,832
Timing of revenue recognition				
At Point in time	2,827	745	-	3,572
Over time	-	236	24	260
Cost of sales and services	(1,885)	(624)	(9)	(2,518)
Gross profit	942	357	15	1,314
Operating expenses	(818)	(275)	(27)	(1,120)
Other operating income (loss)	16	7	3	26
Interest income*	7	4	1	12
Interest expense	(2)	(1)	-	(3)
Share in net income of associates	29	-	-	29
Income tax benefit (expense)	(36)	(22)	(2)	(60)
Net income (loss) for the three months ended	131	66	(11)	186
<b>2023</b>				
Net sales and services	2,120	751	11	2,882
Timing of revenue recognition				
Point in time	2,120	536	-	2,656
Over time	-	215	11	226
Cost of sales and services	(1,394)	(477)	(8)	(1,879)
Gross profit	726	274	3	1,003
Operating expenses	(665)	(217)	(18)	(900)
Other operating income (loss)	10	5	2	17
Interest income*	2	4	-	6
Interest expense	(4)	(1)	-	(5)
Share in net loss of associates	12	-	-	12
Income tax expense (benefit)	(17)	(14)	(3)	(34)
Net income (loss) for the three months ended	62	47	(16)	93

\*account included in other operating income (loss)

The Group revised the segment breakdown of revenue and related deductions for the period ended March 31, 2023 to conform with the current year presentation. The changes did not impact previously reflected net income, financial position and cash flow.

Consumer business pertains to heating, ventilation and air conditioning (HVAC) products, refrigeration and consumer appliances and aftermarket parts and related services for consumer use. 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 and through a network of accredited subcontractors.



## b. Assets, Liabilities and Other Accounts

Segment information on consolidated assets and liabilities as at March 31, 2024 and December 31, 2023 (in millions) are as follows:

	CCAC	CDI	COPI	Others	Total
<b>2024</b>					
Current assets	6,283	2,870	1,077	912	11,142
Non-current assets	824	491	888	398	2,601
Current liabilities	3,377	1,456	759	790	6,382
Non-current liabilities	498	234	5	130	868
<b>2023</b>					
Current assets	5,680	2,408	1,127	483	9,698
Non-current assets	790	477	893	385	2,545
Current liabilities	2,420	802	707	559	4,488
Non-current liabilities	473	231	5	116	825

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

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

COPI is engaged in the distribution and service of elevators and escalators.

The balances presented in Others are composed of the other entities in the Group including CIC as a legal entity.

## RESULTS OF OPERATIONS

### Quarter Ended March 31, 2024 (Q1)

CIC achieved its highest Q1 net sales of P3.8 billion, marking a historic milestone for the company during this period. This was attributed largely to improved retail presence and activities, wider product portfolio and impact of the prevailing hot weather conditions, as well as a favorable comparison to a lower base. Unlike the previous year, which experienced weak consumer sentiment and logistical challenges, the strong momentum from January persisted throughout the quarter. Earnings doubled versus last year, reaching P186 million.

### **Segment Net Sales**

Consumer business generated P2.8 billion in net sales, an increase of 33% year over year, attributed to growth in both air conditioning products and refrigerators. Air conditioning product sales grew 30% due to improved retail activities and presence and favorability of the hot and dry weather. Refrigeration products maintained consistent monthly sales performance, reaching 60% growth for the quarter, owing to launch of new products and improved retail activities and distribution. Favorability was partly offset by lower laundry sales due to delay in launch of replacement models.

Commercial business delivered P981 million sales, posting 31% growth versus last year. The increase was attributed to HVAC equipment sales driven by distribution expansion as well as the timely arrival of equipment and significant project progress in both air conditioning and elevator projects. Growth in aftermarket service sales also contributed to the increase.

## **Gross Profit**

CIC registered Q1 gross profit of P1.3 billion, a 31% increase from comparable period in 2023, lifted by higher sales across business segments.

## **Operating Expenses**

Total operating expenses stood at P1.1 billion for the quarter, a 24% increase on the same period last year. This was mainly driven by promodiser costs due to increased retail presence and activities, volume-related costs due to higher sales and advertising and promotions. Increase is also attributed to higher inventory provisions for outdated models and parts. Operating expenses growth rate grew slower than sales growth rate.

## **Other Operating Income (loss) and Finance Costs**

Other operating income ended at P26.0 million, mainly from interest income on time deposits and other income partially reduced by foreign exchange loss. Finance cost of P2.8 million pertained to interest expense on lease liabilities.

## **Net Income**

CIC delivered Q1 net income of P185.7 million, which was essentially twice as much as Q1 earnings last year. This was mainly driven by revenue growth across segments partly offset by OPEX growing slower than sales growth rate. Profit after tax after minority interest (PATAMI) was at P104.0 million, P50.4 million higher than same period in 2023.

## **CONSOLIDATED FINANCIAL CONDITION**

### **As at March 31, 2024 compared with as at December 31, 2023**

The Company's financial and operating strategy enabled it to maintain a 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, 2024 amounted to P13.7 billion, an increase of P1.5 billion from end of 2023 of P12.2 billion. The increase in assets was mainly from trade receivables because of higher sales and higher inventory in anticipation of the peak season. Consolidated net cash was at P2.1 billion, a decrease of P276.8 million from end of 2023.

Total liabilities as at March 31, 2024, amounted to P7.3 billion, an increase of P1.9 billion from December 31, 2023, 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 ongoing 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.

Year to date March 31, 2024, CIC's capital expenditures totaled to P66.5 million relating to renovation, purchase of machinery and equipment and software upgrades.

**WORKING CAPITAL**

As at March 31, 2024 and December 31, 2023, the Company’s net current assets (the difference between total current assets, including cash and cash equivalents, and total current liabilities), were at P4.8 billion and P5.2 billion, respectively, representing working capital sufficiency.

The Company’s current assets consist of cash and cash equivalents, trade and other receivables, contract assets, inventories, 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):

	<b>For the periods ended March 31</b>	
	<b>2024</b>	<b>2023</b>
Net cash flows provided by (used in) operating activities	37.1	142.1
Net cash flows used in investing activities	(58.1)	(29.6)
Net cash flows used in financing activities	(255.7)	(269.3)
Net increase (decrease) in cash and cash equivalents	(276.8)	(156.9)

The net cash flows provided by operating activities for the period ended March 31, 2024, was at P37.1 million composed of income before provision for income tax of P245.6 million excluding adjustments, changes in working capital, interest received and including actual income tax paid. The decrease in cash flow from operating activities was mainly due to the increase in trade receivables.

The net cash flows used in investing activities for the period ended March 31, 2024, was at P58.1 million mainly due to capital expenditures.

The net cash flows used in financing activities for the period ended March 31, 2024, was at P255.7 million driven by dividend payout, payment of lease liabilities and acquisition of treasury shares.

## **Key Performance Indicators**

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

	Definition	Unaudited for the periods ended March 31	
		2024	2023
<b>Gross Profit Margin</b>	Gross Profit/Net Sales	34.3%	34.8%
<b>Profit Before Tax</b>	Profit before Tax/Net Sales	6.4%	4.4%
<b>Net Income (% to Sales)</b>	Net Income/Net Sales	4.8%	3.2%
<b>Net Income/(Loss) Attributable to Shareholders (% to Sales)</b>	Profit After Tax Attributable to Shareholders/Net Sales	2.7%	1.9%
<b>Net Income/(Loss) Attributable to Shareholders (Php Millions)</b>	Net Income/(Loss) Attributable to Shareholders / Net Sales	104.0	53.7
<b>Return on Average Equity</b>	Net Income after Non-Controlling Interest / Average Shareholder's Equity net of Non-Controlling Interest	2.2%	1.1%
<b>Return on Average Assets</b>	Net Income/Average Assets	1.4%	0.7%
<b>Earnings per Share*</b>	Net Income after Non-Controlling Interest / Average Shares Outstanding	0.26	0.13

		Unaudited as at March 31	
		2024	2023
<b>Current Ratio</b>	Current Assets/Current Liabilities	1.7	1.9
<b>Debt-to-Equity-Ratio</b>	Total Liabilities/Total Equity	1.1	1.0
<b>Asset-to-Equity Ratio</b>	Total Assets/Total Equity	2.1	2.0
<b>Book Value Per Share*</b>	Shareholder's Equity net of Non-Controlling Interest / Total Shares Outstanding	12.2	11.9





## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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


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

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

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

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

  
Raul Joseph Concepcion  
Chairman of the Board and Chief Executive Officer

  
Rajan Komarasu  
Chief Finance and Operating Officer

Signed this 26<sup>th</sup> day of March 2024

Signed in the presence of:

  
MA. ANNUNCIATA A. TRANGCO  
2000 186

  
CHARINA ROSE VENTURA  
2000 288

ACKNOWLEDGEMENT

Republic of the Philippines)

\_\_\_\_\_ MUNTINLUPA CITY

MUNTINLUPA CITY

Before me, a notary public for and in the \_\_\_\_\_ this

**MAR 26 2024** \_\_\_\_\_ personally appeared.

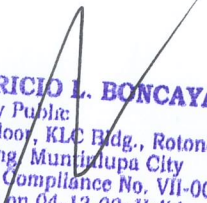
Name  
RAUL JOSEPH A. CONCEPCION  
RAJAN KOMARASU

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  
**MAR 26 2024** \_\_\_\_\_

Doc No. 505  
Page No. 103  
Book No. 310  
Series of 2024

  
**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. 10474126; 01-02-24; Muntinlupa City  
NC-24-016; Muntinlupa City until 12-31-25  
TIN: 137-734-581  
Roll No. 33796  
Tel. No. 8800-70-16  
patricio\_boncayao\_lawoffice@yahoo.com.ph



## **Independent Auditor's Report**

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

### ***Our Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Concepcion Industrial Corporation and its subsidiaries (together, the "Group") as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS).

### ***What we have audited***

The consolidated financial statements of the Group comprise:

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

### ***Basis for our Opinion***

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

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

### ***Independence***

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

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





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Concepcion Industrial Corporation  
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### **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.

<b>KAM</b>	<b>How our audit addressed the KAM</b>
<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 Philippine Accounting Standards (PAS) 36, "Impairment of Assets", the amount of goodwill is required to be tested annually for impairment. This annual impairment test was significant to our audit since the related goodwill amounting to PHP806,682 million as at December 31, 2023 is material to the consolidated financial statements. In addition, management's assessment process is complex and is based on management judgment and assumptions, specifically average revenue growth rate and pre-tax adjusted discount rate, which are affected by expected future market or economic conditions.</p>	<p>We evaluated the appropriateness of the work performed by management's third-party valuation expert to assist us in evaluating the assumptions and methodologies used in management's valuation. We involved our internal expert in validating the methodology and assumptions adopted by management. The procedures performed to assess the reasonableness of management assumptions include, among others, the following:</p> <ul style="list-style-type: none"><li>• Model integrity. Checked logic, links, formulas, mathematical accuracy, and completeness of the key model inputs.</li><li>• Discount rate and terminal growth rate estimates. Compared the discount rate and terminal growth rate used against our internal benchmarks and independent recalculation of the Group's weighted average cost of capital.</li><li>• Reasonableness of cash flow assumptions. Compared the growth and margin assumptions with historical performance, outstanding projects, and industry outlook for the businesses.</li></ul> <p>We evaluated the competence, capabilities and objectivity of the third-party valuation expert engaged by the Group, and our internal expert.</p>



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To the Board of Directors and Shareholders of  
Concepcion Industrial Corporation  
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***Other Information***

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A was obtained prior to the date of the audit report while the SEC Form 20-IS and the Annual Report are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



To the Board of Directors and Shareholders of  
Concepcion Industrial Corporation  
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### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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



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 Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**Isla Lipana & Co.**

  
Imelda Ronnie de Guzman-Castro

Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 12, 2024 at Makati City

T.I.N. 152-015-095

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

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

Makati City  
March 26, 2024



## Statements Required by Rule 68 Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Concepcion Industrial Corporation and its subsidiaries (the "Group") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated March 26, 2024. The supplementary information shown in Annex 68-D: Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration, and A Map Showing Relationships between and among the Parent Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates as required by Part I Section 5 and Schedules A, B, C, D, E, F, and G as required by Part II Section 6 of Rule 68 of the Securities Regulation Code, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic financial statements. Such supplementary information and schedules are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information and schedules have been prepared in accordance with Rule 68 of the Securities Regulation Code.

**Isla Lipana & Co.**

  
Imelda Ronnie de Guzman-Castro  
Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 12, 2024 at Makati City

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Makati City  
March 26, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 26, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

**Isla Lipana & Co.**

  
Imelda Ronnie de Guzman-Castro

Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 12, 2024 at Makati City

T.I.N. 152-015-095

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

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## Concepcion Industrial Corporation and Subsidiaries

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

	Notes	2023	2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	2,372,614	1,688,163
Trade and other receivables, net	3	3,745,305	3,455,147
Contract assets	15	849,419	781,668
Inventories, net	4	2,489,373	3,161,979
Prepayments and other current assets		241,591	115,697
Total current assets		9,698,302	9,202,654
<b>Non-current assets</b>			
Property and equipment, net	5	435,257	474,515
Investment property	6	40,255	40,255
Investment in associates	7	98,891	90,009
Intangible assets, net	8	118,980	135,843
Goodwill	8	806,682	806,682
Right-of-use assets, net	19	341,101	360,096
Deferred income tax assets, net	9	620,497	579,879
Other non-current assets		82,935	80,783
Total non-current assets		2,544,598	2,568,062
<b>Total assets</b>		<b>12,242,900</b>	<b>11,770,716</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities	10	4,107,377	3,896,259
Short-term borrowings	13	4,600	114,000
Lease liabilities	19	191,304	136,873
Provision for warranty	11	80,775	68,077
Other provisions	12	104,175	38,691
Total current liabilities		4,488,231	4,253,900
<b>Non-current liabilities</b>			
Retirement benefit obligation	20	641,245	570,502
Lease liabilities	19	181,282	241,914
Provision for warranty	11	2,874	5,941
Total non-current liabilities		825,401	818,357
Total liabilities		5,313,632	5,072,257
<b>Equity</b>			
Attributable to owners of the Parent Company			
Share capital	21	407,264	407,264
Share premium	21	993,243	993,243
Treasury shares	21	(241,464)	(241,464)
Retained earnings		3,949,873	3,765,573
Other comprehensive loss	20	(69,814)	(51,816)
		5,039,102	4,872,800
Non-controlling interest		1,890,166	1,825,659
Total equity		6,929,268	6,698,459
<b>Total liabilities and equity</b>		<b>12,242,900</b>	<b>11,770,716</b>

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

## Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Total Comprehensive Income  
For each of the three years in the period ended December 31, 2023  
(All amounts in thousand Philippine Peso, except earnings per share)

	Notes	2023	2022	2021
Net sale of goods	15	13,702,837	12,235,287	11,924,459
Sale of services	15	958,580	939,786	314,780
<b>Net sales</b>		<b>14,661,417</b>	<b>13,175,073</b>	<b>12,239,239</b>
Cost of sales and services	16	(10,006,235)	(9,119,396)	(8,173,810)
<b>Gross profit</b>		<b>4,655,182</b>	<b>4,055,677</b>	<b>4,065,429</b>
Operating expenses	17	(3,777,744)	(3,359,970)	(3,411,506)
Other operating income (loss), net	18	52,111	(65,934)	(15,074)
<b>Operating income</b>		<b>929,549</b>	<b>629,773</b>	<b>638,849</b>
Interest expense	13, 19	(25,659)	(32,530)	(23,832)
<b>Income before share in net income (loss) of associates and income tax</b>		<b>903,890</b>	<b>597,243</b>	<b>615,017</b>
Share in net income (loss) of associates	7	9,415	(31,996)	(22,513)
<b>Income before income tax</b>		<b>913,305</b>	<b>565,247</b>	<b>592,504</b>
Income tax expense	9	(246,013)	(207,183)	(214,409)
<b>Net income for the year</b>		<b>667,292</b>	<b>358,064</b>	<b>378,095</b>
<b>Other comprehensive income (loss) that will not be subsequently reclassified to profit or loss</b>				
Remeasurement gain (loss) on retirement benefits, net of tax	7, 20	(21,427)	6,938	42,112
<b>Total comprehensive income for the year</b>		<b>645,865</b>	<b>365,002</b>	<b>420,207</b>
<b>Net income attributable to:</b>				
Owners of the Parent Company		383,256	153,836	164,750
Non-controlling interest		284,036	204,228	213,345
		<b>667,292</b>	<b>358,064</b>	<b>378,095</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Parent Company		365,258	158,126	195,105
Non-controlling interest		280,607	206,876	225,102
		<b>645,865</b>	<b>365,002</b>	<b>420,207</b>
Earnings per share - basic and diluted	22	0.96	0.38	0.41

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



## Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Changes in Equity  
For each of the three years in the period ended December 31, 2023  
(All amount in thousand Philippine Peso)

Notes	Attributable to owners of the Parent Company					Other comprehensive income (loss)	Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Retained earnings	20			
<b>Balances as at January 1, 2021</b>	407,264	993,243	(170,068)	4,251,056	(86,269)	1,898,332	7,293,558	
<b>Comprehensive income</b>								
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	
<b>Transactions with owners</b>								
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)	
<b>Balances as at December 31, 2021</b>	407,264	993,243	(172,108)	4,013,851	(55,913)	1,856,869	7,043,206	
<b>Comprehensive income</b>								
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	
<b>Transactions with owners</b>								
Adjustment due to change in ownership	-	-	-	(259)	(192)	3,213	2,762	
Cash dividends declared	-	-	-	(401,855)	-	(241,300)	(643,155)	
Treasury shares	-	-	(69,356)	-	-	-	(69,356)	
Total transactions with owners	-	-	(69,356)	(402,114)	(192)	(238,087)	(709,749)	
<b>Balances as at December 31, 2022</b>	407,264	993,243	(241,464)	3,765,573	(51,816)	1,825,659	6,698,459	
<b>Comprehensive income</b>								
Net income for the year	-	-	-	383,256	-	284,036	667,292	
Remeasurement loss on retirement benefits, net of tax	-	-	-	-	(17,998)	(3,429)	(21,427)	
Total comprehensive income for the year	-	-	-	383,256	(17,998)	280,607	645,865	
<b>Transaction with owners</b>								
Cash dividends declared	-	-	-	(198,956)	-	(216,100)	(415,056)	
<b>Balances as at December 31, 2023</b>	407,264	993,243	(241,464)	3,949,873	(69,814)	1,890,166	6,929,268	

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

## Concepcion Industrial Corporation and Subsidiaries

Consolidated Statements of Cash Flows  
For each of the three years in the period ended December 31, 2023  
(All amounts in thousand Philippine Peso)

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

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

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

## **Concepcion Industrial Corporation and Subsidiaries**

Notes to the Consolidated Financial Statements

As at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023

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

### **Note 1 - General information**

#### **1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries are incorporated and operating in the Philippines.

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

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

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

CIC's registered office address, which is also its principal place of business, is located at 308 Gil Puyat Avenue, Makati City. As at December 31, 2023 and 2022, CIC has two (2) regular employees.

## 1.2 Significant business developments

### Cortex Technologies Corporation (CTC)

On December 19, 2019, the BOD approved the proposed increase in authorized share capital of CTC from 200 million shares to 450 million shares at P1 par value per share. The application for the increase in share capital was filed with the SEC on November 3, 2021. On July 17, 2020 and February 2, 2021, the Company received deposit for future stock subscription from CIC amounting to P15.6 million and P20 million, respectively, the shares of which were issued to CIC subsequently in November 2021 and April 2023, respectively. On November 30, 2023, CIC paid P26.9 million to fully pay the P62.5 million subscription.

On July 30, 2021, CTC acquired 33% ownership interest in Teko Solutions Pte. Ltd. (Teko SG) for 1USD. Teko SG is a company incorporated in Singapore. Its purpose is to be a holding company for the regional expansion of Teko across Southeast Asia. As at December 31, 2023, Teko SG has not started commercial operations.

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

### Teko Solutions Asia Inc. (Teko)

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

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

On October 1, 2020, one of the shareholders of Teko sold 1,831 shares of its ordinary shares to the CTC for a consideration of P6,066 increasing its ownership to 16,581 shares or 58% ownership. As at December 31, 2023 and 2022, transfer of share certificates is on hold and is awaiting the release of Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR).

### Tenex Services, Inc. (Tenex)

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

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

### 1.3 Approval of financial statements

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

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

#### **Note 2 - Cash and cash equivalents**

Cash and cash equivalents as at December 31 consist of:

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

Cash in banks and short-term placements amounting to P2,226,946 and P145,253 (2022 - P1,281,305 and P404,949) are made with universal and commercial banks, respectively. These earn interest at the prevailing bank deposit rates. Total interest income earned from cash in banks and short-term placements amounted to P24,844 for the year ended December 31, 2023 (2022 - P8,493; 2021 - P5,483) (Note 18).

Short-term placements are made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at rates ranging from 1.00% to 5.30% (2022 - 0.09% to 2.75%).

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

#### **Note 3 - Trade and other receivables, net**

Trade and other receivables as at December 31 consist of:

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

## 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:

- 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%	
<b>2023</b>					
Trade receivables					
Third parties	2,997,063	904,521	101,143	137,492	4,140,219
Related parties	5,172	12,154	-	-	17,326
Contract assets	3,002,235	916,675	101,143	137,492	4,157,545
Total	849,419	-	-	-	849,419
<b>Total</b>	<b>3,851,654</b>	<b>916,675</b>	<b>101,143</b>	<b>137,492</b>	<b>5,006,964</b>
Loss allowance	-	-	52,594	130,438	183,032
<b>2022</b>					
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
<b>Total</b>	<b>3,440,592</b>	<b>1,016,825</b>	<b>122,608</b>	<b>176,087</b>	<b>4,756,112</b>
Loss allowance	-	-	5,392	171,766	177,158

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

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

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

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

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

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

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

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

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

Non-trade receivables - others are presented net of the provision for impairment of receivables amounting to P6,543 (2022 - P2,244).

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

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

#### **Note 4 - Inventories, net**

Inventories, net as at December 31 consist of:

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

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

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

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

There are no write-offs in 2023 and 2022.



## Note 5 - Property and equipment, net

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

	Machinery and equipment	Transportation equipment	Furniture, fixtures and office equipment	Tools and equipment	Leasehold improvements	Building improvements	Construction in progress (CIP)	Total
<b>Cost</b>								
At January 1, 2023	1,400,994	28,395	287,327	269,628	266,319	35,676	22,694	2,311,033
Additions	22,215	4,540	57,599	2,417	17,271	-	9,678	113,720
Retirement	(90,640)	(2,518)	(2,550)	(16,840)	-	-	(5,149)	(117,697)
Transfers/Reclassifications	19,913	-	(1,568)	-	121	-	(18,466)	-
At December 31, 2023	1,352,482	30,417	340,808	255,205	283,711	35,676	8,757	2,307,056
<b>Accumulated depreciation</b>								
At January 1, 2023	1,143,994	25,258	236,968	240,411	165,702	24,185	-	1,836,518
Depreciation and amortization	67,750	3,110	30,942	10,159	28,158	2,776	-	142,895
Retirement	(90,277)	(2,191)	(3,595)	(11,551)	-	-	-	(107,614)
At December 31, 2023	1,121,467	26,177	264,315	239,019	193,860	26,961	-	1,871,799
Net book values as at December 31, 2023	231,015	4,240	76,493	16,186	89,851	8,715	8,757	435,257
<b>Cost</b>								
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
<b>Accumulated depreciation</b>								
At January 1, 2022	1,083,033	22,347	210,704	215,749	141,196	20,689	-	1,693,718
Acquisition of Tenex	-	296	923	-	402	-	-	1,621
Depreciation and amortization	62,364	3,481	25,874	24,662	31,488	3,496	-	151,365
Retirement	(1,403)	(866)	(558)	-	(7,359)	-	-	(10,186)
Transfers/Reclassifications	-	-	25	-	(25)	-	-	-
At December 31, 2022	1,143,994	25,258	236,968	240,411	165,702	24,185	-	1,836,518
Net book values as at December 31, 2022	257,000	3,137	50,359	29,217	100,617	11,491	22,694	474,515

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

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

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

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

### **Note 6 - Investment property**

As at December 31, 2023 and 2022, CIC's investment property consists of parcel of land that it acquired in Davao City, which is held for capital appreciation.

The estimated fair value of the investment property as at December 31, 2023 and 2022 amounted to P40,255. There were no further costs incurred that were considered as additions to investment property in 2023 and 2022.

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

### **Note 7 - Investments in shares of stock**

#### **7.1 Associates**

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

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

#### **7.1.1 Concepcion Midea Inc. (CMI)**

CMI's primary business is to sell and distribute air conditioners, refrigerators, laundry, kitchen, and small domestic appliances marketed under Midea and Toshiba brands for the domestic market CIC has a subscription agreement with CMI, whereby the former subscribes from the increase in the authorized share capital of the latter. As at December 31, 2023 and 2022, CIC and CCAC had a total of 110 million and 150 million (2022-110 million and 150 million) shares equivalent to 22% and 30% interests, respectively, in CMI making up for the Group's 40% effective interest. CMI was classified as an associate (Note 14).

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

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

### 7.1.2 Tenex

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

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

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

### 7.1.3 Teko SG

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

Teko SG has not started commercial operations. As at and for the years ended December 31, 2023 and 2022, the transaction and balances of Teko SG are limited to cash and equity of USD3.

## 7.2 **Subsidiaries**

The subsidiaries of CIC are presented in Note 28.2.1.

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

### 7.2.1 CCAC

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

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

#### 7.2.2 COPI

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

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

#### 7.2.3 Teko

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

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

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

#### 7.2.4 Tenex

On July 1, 2022, Alstra Inc., a wholly owned subsidiary of CIC, purchased from Mr. Joey P. 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 following is the summarized financial information of Tenex as at and for the years ended December 31:

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

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

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

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

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

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

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

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

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

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

## **Note 8 - Goodwill and intangible assets, net**

### **8.1 Goodwill**

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

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

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

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

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

#### *Impairment test for goodwill*

Discounted cash flow (DCF) method was used as base for estimating the recoverable value of COPI and Teko as at December 31, 2023 and 2022. The Group did not recognize impairment losses for the each of the three years in the period ended December 31, 2023 as the recoverable value exceeds the carrying amount of the cash-generating unit (CGU) (Note 27.2.1). Goodwill arising from the Group's acquisition of Tenex was assessed as not impaired since the current carrying amount approximates its fair value as at December 31, 2023.

### **8.2 Intangible assets, net**

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

	Notes	Customer relationship	Customer backlogs	Computer software	Total
<b>Cost</b>					
At January 1 and December 31, 2023		187,113	13,883	118,561	319,557
<b>Accumulated amortization</b>					
At January 1, 2023		68,392	13,883	101,439	183,714
Amortization	16, 17	7,484	-	9,379	16,863
At December 31, 2023		75,876	13,883	110,818	200,577
<b>Net book values at December 31, 2023</b>		<b>111,237</b>	<b>-</b>	<b>7,743</b>	<b>118,980</b>
<b>Cost</b>					
At January 1, 2022		187,113	13,883	118,846	319,842
Adjustment		-	-	(285)	(285)
At December 31, 2022		187,113	13,883	118,561	319,557
<b>Accumulated amortization</b>					
At January 1, 2022		60,908	13,883	80,526	155,317
Amortization	16, 17	7,484	-	20,913	28,397
At December 31, 2022		68,392	13,883	101,439	183,714
<b>Net book values at December 31, 2022</b>		<b>118,721</b>	<b>-</b>	<b>17,122</b>	<b>135,843</b>

### **Note 9 - Deferred income tax/Provision for income tax**

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

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

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

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

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

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

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

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

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

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

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



Details of NOLCO as at December 31 are as follows:

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

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

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

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

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

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

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

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

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

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

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

#### **Note 10 - Trade payables and other liabilities**

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

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

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

Billings in excess of costs incurred and estimated earnings on uncompleted contracts, which is a contract liability, represent the excess of contract billings amounting to P841,019 (2022 - P1,001,406) over the cumulative costs incurred amounting to P641,227 as at December 31, 2023 (2022 - P723,834).

Contract liabilities relate to payments received from customers in advance. It is recognized as revenue when or as the Group satisfies the performance obligation stated in the contract. The opening balances of billings in excess of costs incurred and estimated earnings on uncompleted contracts as at December 31, 2023 and 2022 amounted to P277,572 and P317,271, respectively.

### **Note 11 - Provision for warranty**

Movements in provision for warranty as at December 31 follow:

#### **11.1 Current**

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

#### **11.2 Non-current**

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

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

### **Note 12 - Other provisions**

Details of other provisions as at December 31 consist of:

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

Movements in provision for contingencies as at December 31 follow:

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

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

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

Movements in provision for commission as at December 31 follow:

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

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

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

### **Note 13 - Short-term borrowings**

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

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

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

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

## **Note 14 - Related party transactions**

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

	2023		2022		2021		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
<b>Shareholders</b>							
Rent and utilities	66,087	-	62,495	(7,597)	56,933	-	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured.
Lease of warehouse	43,441	-	42,589	-	36,047	-	
Advance rental	-	-	-	-	1,683	-	Refer to Note 19.
Security deposit	-	-	-	-	1,493	-	Refer to Note 19.
Dividends declaration	198,956	-	401,855	-	401,955	-	Refer to Note 21.2.
Reimbursements from shareholders	141	598	368	613	594	866	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/payable in cash, non-interest bearing and unsecured.
Reimbursements to shareholders	-	(1,157)	1,157	(1,157)	1,157	-	
<b>Associate</b>							
Administrative services	32,206	14,761	24,774	4,542	22,180	2,058	Outstanding receivables are due within 30 to 60 days from transaction date. These are collectible in cash, non-interest bearing and unsecured.
Transfer of employees	7,870	7,870	7,961	7,844	2,763	(2,763)	Benefits due to the employee transferred up to date of transfer will be paid by the former employer to the receiving company. Outstanding receivables/payables are due within one year from transaction date. The balance is collectible/payable in cash, non-interest bearing and unsecured.
Purchase of goods, net of returns	671	(1,691)	2,637	(2,000)	16,280	(27)	Outstanding payables are due within 30 to 90 days from transaction date. These are payable in cash, non-interest bearing and unsecured in nature. These receivables are unsecured and non-interest bearing.
Sale of goods	8,798	2,565	1,645	1,087	8,143	4,937	The outstanding receivables (Note 3) is unsecured in nature and bears no interest and is settled within 60 days after the date of sale.
Product loan	-	-	-	-	94	(94)	Payable within the next 12 months after invoice date. Unsecured and non-interest bearing advances.
Advance collections	-	-	-	-	1,771	(1,771)	Outstanding receivables/payables are due within 30 to 60 days from transaction date. These are collectible/payable in cash, non-interest bearing and unsecured.
Transaction fees	2,782	258	2,769	4	3,036	-	
Reimbursements from associates	140,421	76,172	127,181	37,677	173,338	15,198	
Reimbursements to associates	1,234	(1,735)	4,078	(6,680)	63,138	(28,265)	

	2023		2022		2021		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
Entities under common control							
Rent and utilities	35,330	(2,944)	35,607	(5,746)	34,119	-	Receivables/payables are collectible/payable in cash within 30 to 60 days from billing date. These are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized.
Entities with common shareholders							
Commission income	1,351	1,351	11,038	-	6,650	-	Receivables/payables are collectible in cash within 30 to 60 days from billing date. These are unsecured, unguaranteed and non-interest bearing. Balances are fully recoverable with no impairment loss recognized. Advances are primarily cost reimbursements paid on behalf of related parties. Refer to Note 18
Dividends declaration	216,100	-	241,300	-	266,564	-	Refer to Note 21.2.
Purchases, net purchase returns	2,156,124	(335,915)	1,727,306	(258,196)	165,020	(90,434)	Outstanding payables are due within 30 to 60 days from transaction date. These are payable in cash, non-interest bearing and unsecured (Note 19).
Collections (Payments) in behalf of a related party	-	-	-	(3,672)	(136)	(4,113)	Payable in cash within 60 days unsecured and bears no interest. Refer to Notes 16, 17 and 19.
Reimbursements	23	(2,181)	3,137	(593)	-	-	Note 3
Royalty/Technical fees	57,147	(46,075)	53,849	(9,695)	51,895	(2,678)	Note 10
<b>Total receivable from related party</b>		103,575		51,767		23,059	
<b>Total payable to related party</b>		391,698		295,336		130,145	
Key management personnel							
Short-term							
Directors fees	6,553	(9,505)	1,918	(2,952)	3,368	(4,329)	Payable to employees in cash within 30 days from date of each transaction. Non-interest bearing and not covered by any guarantee.
Salaries and wages	386,010	(83,992)	389,093	(78,671)	361,865	(82,658)	Refer to Note 20.
Long-term							
Retirement benefits	16,993	(244,994)	18,154	(197,744)	57,841	(179,616)	
Retirement plan							
Contributions to the retirement fund	-	-	1,532	-	17,412	-	
Claims from the retirement fund	-	-	-	3,555	-	-	Receivables are collectible on demand, unsecured and non-interest bearing.

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

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

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

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

#### **Note 15 - Revenue from contracts with customers**

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

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

#### (a) Disaggregation of revenue from contracts with customers

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

#### (b) Assets and liabilities related to contracts with customers

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

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

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

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

### **Note 16 - Cost of sales and services**

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

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

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

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



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

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

#### **Note 17 - Operating expenses**

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

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

#### **Note 18 - Other operating income (loss), net**

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

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

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

## **Note 19 - Leases and other agreements**

### **19.1 Leases**

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

- 19.1.1 CCAC has a three-year lease agreement with Concepcion Industries, Inc., an entity under common control to CCAC, which expired on December 31, 2021 for the lease of its factory located in the Light Industry Science Park, Cabuyao, Laguna to the Partnership. Subject to further renewal or extension on the same terms and conditions as may be agreed upon by the parties. The lease agreement is renewed for another three years which will be expiring on December 31, 2024.
- 19.1.2 CCAC has a three-year lease contract with LSL Realty Development Corporation for the lease of warehouse space located in the Light Industry Science Park, Cabuyao Laguna, subject to negotiation upon renewal. The latest renewal of the lease extends the lease term to December 31, 2024.
- 19.1.3 CCAC leases an office space in Muntinlupa City and a warehouse space in Cabuyao owned by Foresight Realty and Development Corporation, an entity under common control to CCAC. One lease contract expired on December 31, 2021 while the rest of the contracts are renewable upon mutual agreement of the parties which expired in August 2022; was renewed for another three years which will expire on July 31, 2025.
- 19.1.4. CBSI leases an office and parking space, respectively, in Muntinlupa City from Foresight Realty & Development Corp., a shareholder, for a period of five (5) years from August 2017 to July 2022. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties. The latest renewal of the lease extends the lease term to July 31, 2025.
- 19.1.5 CDI leases a warehouse space in Cabuyao from Hyland Realty & Dev't. Corp., an entity under common control, for a period of five (5) years commencing on November 2, 2021 and ending on October 31, 2026, subject to renewal or extension on such terms and conditions as may be agreed upon by the parties.
- 19.1.7 Both CCAC and CDI have agreements with various lessors covering office space for its regional offices. Such agreements have terms ranging from one (1) to five (5) years under terms and conditions as agreed with the lessors.
- 19.1.8 COPI leases its office and parking space from MBS Development Corp. with five-year lease term from January 9, 2019 to February 8, 2024. The agreements are subject to renewal or extension on such terms and conditions as may be agreed by both parties.
- 19.1.9 COPI leases a warehouse space from Armal Realty Development Corporation for a period of three (3) years from September 7, 2019 to September 6, 2022. The lease is extended until September 2024.
- 19.1.10 CTC has a three-year lease contract with MBS Development Corporation for its office space and parking spaces in Muntinlupa City from April 16, 2019 to June 30, 2022. The contract was terminated on December 31, 2021.
- 19.1.11 The Group also has various lease agreements for vehicles under non-cancellable operating leases expiring within two (2) to three (3) years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Rental deposits required for these lease agreements are included in other non-current assets account in the consolidated statements of financial position.

(a) Amounts recognized in the statement of financial position

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

	Notes	Buildings and leasehold improvements	Warehouses	Office spaces	Vehicles	Others	Total
<b>Cost</b>							
January 1, 2022		38,581	495,966	182,892	171,618	145,472	1,034,529
Acquisition of Tenex		-	-	3,696	-	-	3,696
Additions		2,439	225,704	20,651	4,693	17,120	270,607
Lease terminations		-	(353,644)	(82,019)	(108,261)	(105,157)	(649,081)
Modifications and transfers		-	413	(3,988)	1,100	3,575	1,100
December 31, 2022		41,020	368,439	121,232	69,150	61,010	660,851
Additions		3,995	213,742	7,848	7,493	-	233,078
Lease terminations		-	(16,666)	(85,243)	(51,719)	(2,135)	(155,763)
Modifications and transfers		-	(17,207)	-	-	2,668	(14,539)
December 31, 2023		45,015	548,308	43,837	24,924	61,543	723,627
<b>Accumulated amortization</b>							
January 1, 2022		17,828	289,291	147,188	82,115	62,498	598,920
Acquisition of Tenex		-	-	2,464	-	-	2,464
Amortization	16, 17	11,489	139,017	10,377	17,241	12,146	190,270
Lease terminations		-	(302,115)	(116,461)	(40,740)	(32,490)	(491,806)
Modifications and transfers		-	-	-	907	-	907
December 31, 2022		29,317	126,193	43,568	59,523	42,154	300,755
Amortization	16, 17	12,544	174,985	12,285	12,591	13,520	225,925
Lease terminations		-	(54,817)	(30,340)	(55,014)	(3,983)	(144,154)
December 31, 2023		41,861	246,361	25,513	17,100	51,691	382,526
<b>Net book values</b>							
December 31, 2022		11,703	242,246	77,664	9,627	18,856	360,096
December 31, 2023		3,154	301,947	18,324	7,824	9,852	341,101

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

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

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

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

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

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

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

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

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

(c) Discount rate

Payments for leases of buildings and leasehold improvements, warehouses, office spaces, vehicles and other leases are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The average incremental borrowing rate ranges from 4.375% to 7.50%.

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

## **19.2 Trademark and other agreements**

### **19.2.1 Kelvinator trademark**

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

Royalty/technical fees for the above agreements charged to operations in 2023 amounted to P6,875 (2022 - P8,685; 2021 - P8,346) (Note 17).

### **19.2.2 Royalty/Technical service agreement with Carrier Corporation**

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

Royalty/technical fees for the above agreements charged to operations in 2023 amounted to P29,156 (2022 - P22,266; 2021- P23,010) (Note 17).

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

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

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

Royalty/technical fees for the above agreements charged to operations in 2023 amounted to P27,991 (2022 - P31,583; 2021 - P28,885) (Note 16).

### **19.2.4 Assignment Agreement with OECPI**

COPI has no outstanding payable to OECPI as at December 31, 2023 (2022 - P3,672) which is included under payable to related parties under trade payables and other liabilities (Notes 10 and 14). The payable resulted from transactions subsequent to an Assignment Agreement executed by and between OECPI, as the assignor, and COPI, as the assignee, for the conveyance, transfer assignment and delivery of all the OECPI's assets, liabilities and contracts to COPI as set out in the agreement.

## **Note 20 - Retirement plan**

### **20.1 CIC**

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

### **20.2 CCAC**

CCAC has an established funded, 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 13<sup>th</sup> month and the cash equivalent of not more than five (5) days of service incentive leaves.

As at December 31, 2023 and 2022, estimated retirement benefits and obligations for Alstra is deemed immaterial, hence, not provided for.

### **20.4 COPI**

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

## 20.5 CBSI

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

## 20.6 CTC

CTC has established an unfunded, defined benefit retirement plan which provides a retirement benefit equivalent to one hundred twenty-five percent (125%) of basic salary times number of years in service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The retirement obligation of each entity in the Group is determined using the "Projected Unit Credit" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined using the amount necessary to provide for the portion of the retirement benefit accruing during the year. The latest actuarial valuation of the retirement benefits for each entity in the Group was sought from an independent actuary as at December 31, 2023.

## 20.7 CDI

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

In February 2021, the CDI's BOD approved 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
<b>2023</b>									
Retirement benefit obligation	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
Retirement benefit expense	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318
<b>2022</b>									
Retirement benefit obligation	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502
Retirement benefit expense	1,383	56,883	26,205	19,115	5,061	317	1,283	625	110,872

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<b>2023</b>									
Present value of retirement benefit obligation	23,456	381,034	164,904	84,780	26,347	861	3,386	450	685,218
Fair value of plan assets	-	(4,176)	(17,237)	-	(22,560)	-	-	-	(43,973)
	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
<b>2022</b>									
Present value of retirement benefit obligation	21,647	345,616	164,739	76,832	30,388	885	2,632	580	643,319
Fair value of plan assets	-	(29,640)	(16,442)	-	(26,735)	-	-	-	(72,817)
	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<b>2023</b>									
Beginning	21,647	345,616	164,739	76,832	30,388	885	2,632	580	643,319
Interest cost	1,201	22,727	11,890	4,909	2,197	64	193	42	43,223
Current service cost	475	39,286	17,423	12,391	3,066	87	819	508	74,055
Transfer of employees	-	(4,018)	14,580	(2,683)	-	-	-	-	7,879
Benefits paid directly by the Group	-	-	(55,671)	(11,430)	(5,414)	-	-	-	(72,515)
Benefits paid from the plan assets	-	(17,747)	-	-	(6,014)	-	-	-	(23,761)
Settlement gain/(loss)	-	(5,071)	(123)	(747)	-	-	-	-	(5,941)
Remeasurement loss (gain)									
Changes in financial assumptions	(37)	3,463	3,856	1,278	1,297	18	167	28	10,070
Changes in demographic assumptions	-	570	(2,592)	(100)	(3,491)	(201)	-	-	(5,814)
Experience adjustments	170	(3,792)	10,802	4,330	4,318	8	(425)	(708)	14,703
Ending	23,456	381,034	164,904	84,780	26,347	861	3,386	450	685,218
<b>2022</b>									
Beginning	16,469	331,519	183,917	75,676	34,856	1,872	2,463	393	647,165
Interest cost	511	19,437	9,609	4,194	2,117	100	145	20	36,133
Current service cost	872	39,054	17,479	13,703	3,948	217	997	605	76,875
Transfer of employees	-	4,186	1,126	3,695	-	(1,104)	-	-	7,903
Benefits paid directly by the Group	-	(26,169)	(38,166)	(12,633)	(4,846)	-	-	-	(81,814)
Benefits paid from the plan assets	-	(12,766)	-	-	(3,419)	-	1	-	(16,184)
Settlement paid from book reserved	-	-	-	(12,052)	-	-	(294)	-	(12,346)
Settlement gain/(loss)	-	636	-	1,218	640	-	140	-	2,634
Remeasurement loss (gain)									
Changes in financial assumptions	(340)	(30,147)	(28,474)	(8,671)	(4,403)	(129)	(972)	(324)	(73,460)
Changes in demographic assumptions	4,135	(7,038)	-	(3,845)	-	(14)	-	-	(6,762)
Experience adjustments	-	26,904	19,248	15,547	1,495	(57)	152	(114)	63,175
Ending	21,647	345,616	164,739	76,832	30,388	885	2,632	580	643,319

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

	CCAC	CDI	COPI	Total
<b>2023</b>				
Beginning	29,640	16,442	26,735	72,817
Interest income	1,352	948	1,716	4,016
Benefits paid from the fund	(17,747)	-	(6,014)	(23,761)
Remeasurement gain (loss) from experience adjustments	(9,069)	(153)	123	(9,099)
Ending	4,176	17,237	22,560	43,973
<b>2022</b>				
Beginning	43,964	17,308	29,662	90,934
Interest income	2,243	883	1,644	4,770
Contributions	-	-	1,532	1,532
Benefits paid from the fund	(12,766)	-	(3,418)	(16,184)
Remeasurement loss from experience adjustments	(3,801)	(1,749)	(2,685)	(8,235)
Ending	29,640	16,442	26,735	72,817

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<b>2023</b>									
Beginning	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502
Retirement benefit expense	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318
Remeasurement gain	133	9,310	12,218	5,508	2,002	(175)	(258)	(680)	28,058
Transfer of employees	-	(4,018)	14,583	(2,683)	-	-	-	-	7,882
Benefits paid directly by the Group	-	-	(55,671)	(11,430)	(5,414)	-	-	-	(72,515)
Ending	23,456	376,858	147,667	84,780	3,787	861	3,386	450	641,245
<b>2022</b>									
Beginning	16,469	287,557	166,609	75,676	5,194	1,872	2,463	393	556,233
Retirement benefit expense	1,383	56,883	26,205	19,115	5,061	317	1,283	625	110,872
Remeasurement gain	3,795	(6,480)	(7,477)	3,029	(223)	(200)	(820)	(438)	(8,814)
Transfer of employees	-	4,186	1,126	3,695	-	(1,104)	-	-	7,903
Contributions	-	-	-	-	(1,532)	-	-	-	(1,532)
Settlement paid from book reserved	-	-	-	(12,052)	-	-	(294)	-	(12,346)
Benefits paid directly by the Group	-	(26,170)	(38,166)	(12,631)	(4,847)	-	-	-	(81,814)
Ending	21,647	315,976	148,297	76,832	3,653	885	2,632	580	570,502



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

	2023			2022		
	CCAC	COPI	CDI	CCAC	COPI	CDI
Government securities	22%	98%	78%	96%	-	82%
Unit investment trust fund	25%	-	21%	4%	-	18%
Fixed rate treasury notes	-	-	-	-	96%	-
Corporate bonds	52%	-	-	-	-	-
Cash and cash equivalents	0%	1%	-	-	1%	-
Receivables	-	-	-	-	3%	-
Others	1%	1%	1%	-	-	-
	100%	100%	100%	100%	100%	100%

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

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

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

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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<b>2023</b>									
Current service cost	475	39,286	17,421	12,391	3,065	87	819	508	74,052
Interest cost	1,201	22,727	11,890	4,909	2,197	64	193	42	43,223
Interest income on plan assets	-	(1,352)	(948)	-	(1,716)	-	-	-	(4,016)
Settlement gain or loss	-	(5,071)	(123)	(747)	-	-	-	-	(5,941)
	1,676	55,590	28,240	16,553	3,546	151	1,012	550	107,318
<b>2022</b>									
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
<b>2021</b>									
Current service cost	1,266	43,356	138,482	13,669	3,857	2,503	694	-	203,827
Interest cost	693	13,048	8,908	2,915	1,302	333	61	-	27,260
Interest income on plan assets	-	(1,472)	-	-	(1,226)	-	-	-	(2,698)
	1,959	54,932	147,390	16,584	3,933	2,836	755	-	228,389

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

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

	Note	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<b>2023</b>										
Beginning		(2,696)	80,801	2,745	3,854	4,090	(544)	88	(284)	88,054
Acquisition of Tenex		-	-	-	-	-	-	-	-	-
Remeasurement loss (gain)		133	9,310	12,218	5,508	2,002	(175)	(258)	(680)	28,058
Tax effect	9	-	(2,327)	(3,055)	(1,377)	(501)	44	52	-	(7,164)
Ending		(2,563)	87,784	11,908	7,985	5,591	(675)	(118)	(964)	108,948
<b>2022</b>										
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
<b>2021</b>										
Beginning		(1,361)	118,083	6,752	9,785	2,379	338	297	-	136,273
Remeasurement loss (gain)		(5,130)	(54,268)	1,488	(11,869)	2,278	(1,008)	507	-	(68,002)
Tax effect	9	-	13,567	(372)	2,967	(570)	252	(102)	-	15,742
Tax effect (CREATE)		-	8,279	485	699	170	24	42	-	9,699
Ending		(6,491)	85,661	8,353	1,582	4,257	(394)	744	-	93,712

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex
<b>2023</b>								
Discount rate	6.71%	6.93%	6.97%	6.91%	6.94%	7.00%	6.98%	6.98%
Salary increase rate	3.70%	5.00%	5.00%	5.00%	5.00%	2.30%	5.00%	5.00%
Average expected future service years of plan members	9.3	21.4	18.4	24.7	30	22.2	27.1	26
<b>2022</b>								
Discount rate	5.55%	7.20%	7.30%	7.17%	7.23%	7.19%	7.34%	7.30%
Salary increase rate	3.70%	5.00%	5.00%	4.80%	4.00%	2.30%	5.00%	5.00%
Average expected future service years of plan members	10.3	21.4	18.9	24.5	20.4	23.2	26.6	27

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

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

	CIC	CCAC	CDI	CBSI	COPI	CTC	Teko	Tenex	Total
<b>2023</b>									
Less than a year	23,290	154,301	31,945	13,204	9,730	32	-	-	232,502
More than 1 year to 5 years	44	222,049	78,397	97,006	17,155	198	-	188	415,037
More than 5 years to 10 years	75	239,563	141,029	63,478	15,450	280	5,676	197	465,748
<b>2022</b>									
Less than a year	22,605	121,836	40,171	11,791	6,510	204	-	-	203,117
More than 1 year to 5 years	31	213,520	72,141	66,812	20,659	761	-	-	373,924
More than 5 years to 10 years	48	252,203	113,867	93,299	21,333	158	-	191	481,099

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

## **Note 21 - Equity**

### **21.1 Share capital**

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

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

	Number of common shares issued and outstanding	Amount		
		Share capital	Share premium	Treasury shares
January 1, 2021	401,955,091	407,264	993,243	(170,068)
Acquisition of treasury shares	(100,000)	-	-	(2,040)
December 31, 2021	401,855,091	407,264	993,243	(172,108)
Acquisition of treasury shares	(3,942,600)	-	-	(69,356)
December 31, 2022	397,912,491	407,264	993,243	(241,464)
Acquisition of treasury shares	-	-	-	-
December 31, 2023	397,912,491	407,264	993,243	(241,464)

### **21.2 Retained earnings; subsequent event**

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

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

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

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

### **21.3 Treasury shares**

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

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

On July 27, 2022, the BOD extended the share buyback program for another two years or until September 9, 2024. Out of the approved buyback of 300 million, total amount of shares repurchased was P168 million as at December 31, 2023 and 2022.

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

Trade Date	Date Paid	Shares	Per share	Amount
As at January 1, 2021		5,308,800		170,068
<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

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

#### **Note 22 - Earnings per share**

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

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

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

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

#### **Note 23 - Contingencies**

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

## **Note 24 - Segment information**

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

### **24.1 Profit or loss**

#### 24.1.1 Consumer business (formerly CLS business)

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

#### 24.1.2 Commercial business (formerly BIS/Alstra business)

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

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

	Consumer business	Commercial business	Others	Total
<b>2023</b>				
Net sales and services	10,020,157	4,566,114	75,146	14,661,417
Timing of revenue recognition				
At point in time	10,020,157	3,680,875	1,805	13,702,837
Over time	-	885,238	73,342	958,580
Cost of sales and services	(6,858,727)	(3,111,378)	(36,131)	(10,006,235)
Gross profit	3,161,430	1,454,736	39,016	4,655,182
Operating expenses*	(2,726,400)	(909,554)	(141,790)	(3,777,744)
Depreciation and amortization**	(83,951)	(33,200)	(25,744)	(142,895)
Amortization of right-of-use assets	(149,273)	(69,967)	(6,685)	(225,925)
Other operating income	25,271	25,427	1,413	52,111
Interest income	8,160	12,501	4,183	24,844
Interest expense	(18,685)	(5,582)	(1,392)	(25,659)
Share in net loss of associates	9,415	-	-	9,415
Income tax benefit (expense)	(113,876)	(135,909)	3,772	(246,013)
Net income (loss) for the year	337,155	429,117	(98,980)	667,292
<b>2022</b>				
Net sales and services	9,759,516	3,360,604	54,953	13,175,073
Timing of revenue recognition				
At point in time	9,759,516	2,467,702	8,069	12,235,287
Over time	-	892,902	46,884	939,786
Cost of sales and services	(6,761,598)	(2,331,612)	(26,186)	(9,119,396)
Gross profit	2,997,918	1,028,992	28,767	4,055,677
Operating expenses	(2,556,024)	(676,846)	(127,100)	(3,359,970)
Depreciation and amortization**	(93,285)	(25,401)	(32,679)	(151,365)
Amortization of right-of-use assets	(131,703)	(50,983)	(7,584)	(190,270)
Other operating income (loss)	(75,923)	(534)	10,522	(65,934)
Interest income	2,346	2,825	3,322	8,493
Interest expense	(17,974)	(2,555)	(12,001)	(32,530)
Share in net income of associates	(30,943)	(1,053)	-	(31,996)
Income tax benefit	(110,095)	(88,977)	(8,111)	(207,183)
Net income for the year	206,958	259,027	(107,922)	358,064

	Consumer business	Commercial business	Others	Total
2021				
Net sales and services	9,676,720	2,529,588	32,931	12,239,239
Timing of revenue recognition				
At point in time	9,676,720	2,245,190	2,550	11,924,459
Over time	-	284,398	30,382	314,780
Cost of sales and services	(6,503,948)	(1,652,190)	(17,672)	(8,173,810)
Gross profit	3,172,772	877,398	15,260	4,065,429
Operating expenses	(2,639,260)	(561,595)	(210,651)	(3,411,506)
Depreciation and amortization*	(94,156)	(24,503)	(32,681)	(151,340)
Amortization of right-of-use assets	(172,423)	(61,727)	(15,813)	(249,963)
Other operating income (loss)	(13,327)	(4,722)	2,975	(15,074)
Interest income	2,780	1,558	1,145	5,483
Interest expense	(7,740)	(3,711)	(12,381)	(23,832)
Share in net income of associates	(20,717)	(1,796)	-	(22,513)
Income tax expense (benefit)	(138,765)	(88,228)	12,576	(214,409)
Net income for the year	352,964	217,346	(192,214)	378,095

\* Inclusive of Depreciation and amortization of PPE and amortization of Right of Use Assets (ROU)

\*\* Depreciation and amortization referring to total charges to cost of sales and services, and operating expenses

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

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

## 24.2 Assets, liabilities and other accounts

### 24.2.1 CCAC

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

### 24.2.2 CDI

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

### 24.2.3 COPI

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

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

	CCAC	CDI	COPI	Others	Total
2023	201,709	137,922	1,272	64,582	405,485
2022	565,425	62,422	(12,794)	385,594	1,000,647
2021	838,164	339,884	10,847	32,249	1,221,144

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

	CCAC	CDI	COPI	Others	Total
<b>2023</b>					
Current assets	5,679,909	2,408,093	1,127,044	483,256	9,698,302
Non-current assets	790,385	476,566	892,799	384,848	2,544,598
Current liabilities	2,420,435	802,241	706,584	558,971	4,488,231
Non-current liabilities	473,108	230,882	4,613	116,798	825,401
Other information					
Investment in associates	80,923	-	-	17,968	98,891
Additions to non-current assets					
Property and equipment	55,949	44,649	521	12,601	113,720
<b>2022</b>					
Current assets	5,411,744	2,376,013	956,865	458,032	9,202,654
Non-current assets	742,044	492,784	917,893	415,341	2,568,062
Current liabilities	2,298,929	768,427	585,379	601,165	4,253,900
Non-current liabilities	431,068	268,364	3,653	115,272	818,357
Other information					
Investment in associates	71,631	-	-	18,378	90,009
Additions to non-current assets					
Property and equipment	30,139	21,030	1,068	7,966	60,203

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

#### **Note 25 - Foreign currency-denominated monetary assets and liabilities**

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

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

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

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

## **Note 26 - Financial risk and capital management**

### **26.1 Financial risk factors**

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

Risk management is carried out by the Group's Chief Finance Officer under policies approved by the Group's BOD. These policies provide written principles for overall risk management. There were no changes in policies and processes in the Group's financial risk management in 2023 and 2022.

#### 26.1.1 Market risk

##### *(a) Foreign exchange risk*

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

However, the foreign exchange risk exposure is brought down to an acceptable level since average trade payment terms approximate each other, which range between 30 and 60 days upon which the risk associated with foreign exchange rates are deemed negligible. The Group enters into foreign exchange forward contracts with average term of a month in order to reduce losses on possible significant fluctuations in the exchange rates. There are no outstanding balances in relation to foreign exchange forward contracts as at December 31, 2023 and 2022.

These foreign currency forward contracts are accounted for as financial instruments at fair value through profit or loss. In 2023, the impact to profit and loss of foreign currency contract transactions during the year amounted to P187 loss (2022 - P666 loss; 2021 - P1,778 loss), booked under other operating income, net (Note 18).

Sensitivity analysis is only performed for the U.S. Dollar, Euro and Chinese Yuan since exposure to other currencies is determined to be minimal. As at December 31, 2023, if the Philippine Peso had weakened/strengthened by 2.18% (2022 -9.83 % ; 2021 - 5.42%) against the U.S. Dollar with all other variables held constant, equity and income before tax for the year would have been lower/higher by P3,172 (2022 - P23,110; 2021 - P23,205) as a result of foreign exchange loss/gain on translation of US Dollar-denominated net liabilities.

As at December 31, 2023, if the Philippine Peso had weakened/strengthened by 3.90% (2022 -1.68 %; 2021 - 9.67%) against the Chinese Yuan with all other variables held constant, equity and income before tax for the year would have been lower/higher by P9,293 (2022 - P96; 2021 - P6,655) as a result of foreign exchange loss/gain on translation of Euro-denominated net liabilities.

The rates are based on annual average actual exchange by leading international financial institutions as at December 31, 2023 and 2022.



*(b) Commodity price risk*

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

As at December 31, 2023, if the market prices of the Group's purchases increase/decrease by 3.90% (2022 - 8.10%; 2021 - 4.50%) (based on average price inflation), equity and profit before tax for the year would have been lower/higher by P297,828 (2022 - P262,235; 2021 - P173,991). While the Group does not engage in commodities hedging, risk exposure in commodity purchases is managed by locking in prices with vendors for a minimum of 3 months.

*(c) Cash flow and fair value interest rate risk*

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

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

**26.1.2 Credit risk**

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

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

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

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

- Cash and cash equivalents
- Trade receivables and receivables from related parties
- Contract assets relating to POC contracts

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

### 26.1.3 Liquidity risk

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

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

Type of credit facility	2023		2022	
	Currency	Amount	Currency	Amount
<b>Bank of Philippine Islands</b>				
Revolving promissory note line	Philippine Peso	2,500,000	Philippine Peso	2,500,000
Lease line	-	-	-	-
Bills purchased line	Philippine Peso	100,000	Philippine Peso	100,000
Import letters of credit and trust receipt line	Philippine Peso	550,000	Philippine Peso	550,000
Foreign Exchange Risk	Philippine Peso	500,000	Philippine Peso	500,000
Foreign exchange settlement line	U.S. Dollar	-	U.S. Dollar	-
<b>Citibank</b>				
Bills purchased line	Philippine Peso	59,000	Philippine Peso	45,000
Letters of credit	U.S. Dollar	7,800	U.S. Dollar	7,800
Foreign exchange settlement risk line	U.S. Dollar	1,800	U.S. Dollar	1,800
Foreign exchange pre-settlement risk line	U.S. Dollar	700	U.S. Dollar	700
Short-term loan line	U.S. Dollar	7,660	U.S. Dollar	8,735
Commercial cards	U.S. Dollar	490	U.S. Dollar	556
<b>Banco De Oro</b>				
Short-term loan line	Philippine Peso	500,000	Philippine Peso	500,000
Bills Purchased line	Philippine Peso	50,000	Philippine Peso	50,000
Corporate card guarantee	Philippine Peso	-	Philippine Peso	-
Foreign exchange settlement line	Philippine Peso	20,000	Philippine Peso	20,000

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

As at December 31, 2023 and 2022, all of the Group's financial liabilities are due and demandable within 12 months except for a portion of the lease liabilities which are expected to be settled in regular intervals until the end of the lease term. The Group expects to settle these obligations in accordance with their respective maturity dates. Except for lease liabilities which are discounted using the effective interest rates, these balances equal their carrying amounts as the impact of discounting is not significant. Based on management's assessment, the Group has sufficient level of readily available funds, which do not yet consider expected receipts from collection of current trade receivables, to settle maturing obligations as they fall due.

### 26.2 Capital management

The Group's objectives when managing capital, which is equivalent to the total equity shown in the consolidated statements of financial position, less charges to other comprehensive loss, are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital which will reduce the need to obtain long-term borrowings and incur higher cost of capital such as interest expense. There were no changes in policies and processes in the Group's capital management in 2023 and 2022.

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends, increase capital through additional contributions or sell assets in lieu of third party financing. No changes were made in the objectives, policies and processes as at December 31, 2023 and 2022.

The Group has no significant capital risk exposure given the level of financial assets available to finance its current liabilities. Also, the Group is not subject to externally imposed capital requirements arising from debt covenants and other similar instruments since it has no long-term borrowings from banks and financial institutions. Moreover, the Group is not subject to specific regulatory restrictions on its capital other than required public float of at least 20% of issued and outstanding shares, exclusive of any treasury shares. CIC is compliant with this requirement as at December 31, 2023 and 2022.

### 26.3 Fair value estimation of financial assets and liabilities

The Group's foreign exchange forward contracts, which are measured at fair value, qualify under Level 2. Accordingly, the fair values of these financial liabilities are based on published closing rate with any resulting value no longer subject to discounting due to the relative short-term maturity of these instruments. The Group does not account these contracts under hedge accounting; and accordingly recognizes fluctuations in fair value directly to profit or loss. As at December 31, 2023 and 2022, the Group has no other financial assets or liabilities measured and carried at fair value that would qualify as Levels 1 and 3. Further, financial liabilities from foreign exchange forward contracts is P99,742 (2022 - nil) as at December 31, 2023 and 2022.

### Note 27 - Critical accounting estimates, assumptions and judgments

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

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

#### 27.1 Critical accounting estimates and assumptions

##### 27.1.1 Useful lives of property and equipment

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

If the actual useful lives of these assets is to differ by +/-10% from management's estimates the carrying amount of these assets as at December 31, 2023 would be an estimated +P23,422/- P25,537 (2022 - +P25,331/-P34,829) (Note 5).

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

#### 27.1.2 Provision for warranty cost

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

If the estimated weighted average rate applied to determine reasonable level of provision for warranty increased/decreased by 3.67% (2022 - 10.40%) income before tax and equity would have been P4,476 (2022 - P14,157) lower/higher. This is mainly due to corresponding adjustments on recorded warranty cost. The rate applied is based on average fluctuation from the previous year.

#### 27.1.3 Provision for retirement benefits

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

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

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

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

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

#### 27.1.4 Provision for volume rebates, trade discounts and other incentives

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

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

If the estimated weighted average rate applied to determine reasonable level of provision for volume rebates, trade discounts and other incentives increased/decreased by 46% (2022 - 119%), profit before tax and equity would have been P286,608 (2022 - P136,075) lower/higher. This is mainly due to corresponding adjustments on recorded trade and volume discounts. The rate applied is based on average fluctuation from the previous year.

#### 27.1.5 Provision for contingencies

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

#### 27.1.6 Percentage of completion on installation contracts

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

#### 27.1.7 Incremental borrowing rate of lease liabilities

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

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

#### 27.1.8 Provision for impairment of receivables

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

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

## 27.2 Critical judgments in applying the Group's accounting policies

### 27.2.1 Impairment of goodwill

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

As at December 31, 2023 and 2022, based on management's assessment and judgment, there is no indication of impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2023 and 2022, the recoverable amount of COPI's business was determined based on value in use calculation (using Level 3 inputs) using certain assumptions. Management has engaged a third party which employed the discounted cash flow method in computing for the value in use. The calculations made use of cash flow projections based on financial forecasts covering a five-year period.

The cash flow forecasts reflect management's expectations of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring. Cash flows beyond the five-year period are extrapolated using the average free cash flows to equity from 2023 to 2027 and the annuity and present value factors using the computed discount rates (and sensitivities) to determine the value of COPI's business beyond five-year projections.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2023.

The following are the key assumptions used:

	2023	2022
Revenue growth rate	16.85%	11.55%
Pre-tax adjusted discount rate	9.68%	10.99%
Terminal growth rate	3.00%	3.00%

Goodwill arising from the Group's acquisition of Teko and Tenex were assessed as not impaired since the current carrying amount approximates its fair value as at December 31, 2023 and 2022.

### 27.2.2 Impairment of intangibles - customer relationships and customer contract backlogs

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

### 27.2.3 Impairment of investment in associates

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

As at December 31, 2023 and 2022, based on management's assessment and judgment, the carrying value of its investment in associates is not impaired. Management has assessed that its losses in CMI would be temporary.

#### 27.2.4 Provision for inventory obsolescence

The Group recognizes a provision for inventory obsolescence based on a review of the movements and current condition of each inventory item with adequate consideration on identified damages, physical deterioration, technological and commercial obsolescence or other causes. The provision account is reviewed on a periodic basis to reflect the accurate valuation of the Group's inventories. Inventory items identified to be obsolete and unusable is written-off, and charged as expense for the period. Management determines on a regular basis the necessity of providing for impairment. Results of management's assessment disclosed the needed provision for inventory obsolescence and losses as at December 31, 2023 amounts to P125,554 (2022 - P104,297). Any change in the Group's recoverability assessment could significantly impact the determination of such provision and the results of operations. The details of inventories are shown in Note 4.

#### 27.2.5 Impairment of non-financial assets

Property and equipment and investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. Accordingly, results of management's most recent assessment disclosed the absence of any conditions such as physical damage to the properties, or significant change in manufacturing operations; rendering certain property and equipment as obsolete and would warrant assessment for impairment and/or recognition of an impairment provision in its carrying amount as at reporting date. The details of property and equipment and investment property are shown in Notes 5 and 6.

#### 27.2.6 Income taxes

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

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

#### 27.2.7 Contingencies

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

#### 27.2.8 Determining lease terms

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

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

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

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

#### 27.2.9 Determining control over a subsidiary

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

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

#### **Note 28 - Summary of material accounting policies**

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

#### **28.1 Basis of preparation**

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

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

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

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

#### Changes in accounting policy and disclosures

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

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

PAS 1, "*Presentation of Financial Statements*" was amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.



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

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

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

The amendments to PAS 12, “Income Taxes” require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

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

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

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

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

## 28.2 Consolidation

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

### 28.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which CIC has control. CIC controls an entity when CIC is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to CIC. They are de-consolidated from the date on which control ceases.

The details of CIC’s subsidiaries as at December 31, 2023 and 2022 are as follows:

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

Percentage of ownership held by the NCI in COPI is 49%; CCAC is 40%; Teko is 42%; Tenex is 20% as at December 31, 2023 and 2022. The summarized financial information of subsidiaries with material NCI is presented in Note 7.2.

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

*(a) Business combination through acquisition of business*

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

*(b) Business combinations under common control*

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

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

### 28.2.2 Associates

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

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

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

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

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

### **28.3 Cash and cash equivalents**

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

### **28.4 Receivables**

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

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

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

Policy on impairment and other relevant policies on receivables are disclosed in Note 28.5. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited to operating expenses in profit or loss.

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

## **28.5 Financial instruments**

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

### 28.5.1 Financial assets

#### *(a) Classification*

The Group classifies its financial assets as those measured at amortized cost.

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

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

#### *(b) Recognition and derecognition*

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

#### *(c) Measurement*

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

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

#### *(i) Debt instruments*

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

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

(ii) Equity instruments

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

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

(d) *Impairment*

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

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

## 28.5.2 Financial liabilities

(a) *Classification*

The Group classifies its financial liabilities at initial recognition as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include trade payables and other liabilities (excluding balances payable to government agencies arising from withholding taxes, payroll deductions and provisions), borrowings and lease liabilities (Note 28.17).

(b) *Initial recognition and derecognition*

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

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

(c) *Subsequent measurement*

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

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

## 28.6 Fair value measurement

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

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

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

## 28.7 Inventories

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

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

Provisions for inventory obsolescence and losses are set-up, if necessary, based on a review of the movements and current condition of each inventory item. Inventories are periodically reviewed and evaluated for obsolescence. Provisions for inventory obsolescence are made to reduce all slow-moving, obsolete, or unusable inventories to their estimated useful or scrap values.

The amount of any write-down of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value is recognized as income in the period in which the reversal occurs.

## 28.8 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Costs of assets under construction are accumulated in CIP account until these projects are completed upon which they are transferred to appropriate property and equipment accounts.

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

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

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

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

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

## **28.9 Intangible assets**

### **28.9.1 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.

### **28.9.2 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.

### **28.9.3 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.

## **28.10 Impairment of non-financial assets**

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

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

## **28.11 Current and deferred income tax**

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

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

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

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

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

## **28.12 Provisions**

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

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

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



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

## **28.13 Equity**

### **28.13.1 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.

### **28.13.2 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.

### **28.13.3 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.

### **28.13.4 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.

## **28.14 Earnings per share**

### **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.

## **28.15 Segment reporting**

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

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

## **28.16 Revenue, cost and expense recognition**

### 28.16.1 Revenues

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

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

#### *(a) Sale of goods*

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

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

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

#### *(b) Sale of services*

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

Some contracts include multiple deliverables, such as the sale of air conditioning, elevators/escalators and related installation services. In some cases, the installation and service is being performed by third party subcontractors. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin. If contracts include the installation of elevators/escalators, revenue for the goods

is recognized at a point in time when the goods is delivered, the legal title has passed and the customer has accepted the goods.

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

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

*(c) Commission, interest and other operating income*

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

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

**28.16.2 Cost and expenses**

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

**28.17 Leases - Group as lessee**

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

*(a) Measurement of lease liabilities*

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

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

To determine the incremental borrowing rate, the Group:

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

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

*(b) Measurement of right-of-use assets*

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

*(c) Extension and termination options*

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

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

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

## **28.18 Employee benefits**

### **28.18.1 Retirement benefit obligation**

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

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

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

Past service costs are recognized immediately in profit or loss.

### **28.18.2 Termination benefits**

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

### 28.18.3 Bonus incentives

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

### 28.18.4 Other benefits

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

On June 11, 2018, the BOD approved the 2018 Long Term Share Incentive Plan. Under the Plan, a percentage of the Group's profit will be used to buy its existing shares in the stock market, which will then be given to entitled employees as an award based on pre-determined conditions. The program will be funded annually based on 1% to 2% of CIC profit based on the financial measure of Profit After Tax and Minority Interest. There were no incentives granted in 2023 and 2022.

### **28.19 Subsequent events**

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

## Concepcion Industrial Corporation and Subsidiaries

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

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## Concepcion Industrial Corporation and Subsidiaries

Schedule A - Financial Assets  
As at December 31, 2023  
(All amounts in thousand Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Financial assets at amortized cost				
Cash and cash equivalents	-	2,372,614	-	24,844
Trade receivables and receivables from related parties	-	4,157,545	-	-
Contract assets	-	849,419	-	-
	-	7,379,578	-	24,844

**Concepcion Industrial Corporation and Subsidiaries**  
Schedule B - Amounts Receivable from Directors, Officers,  
Employees, Related Parties and Principal Shareholders  
(Other than Related Parties)  
As at December 31, 2023  
(All amounts in thousand Philippine Peso)

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



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

## Concepcion Industrial Corporation and Subsidiaries

Schedule C - Amounts Receivable from Related Parties – RPT registry  
which are Eliminated during the Consolidation of Financial Statements

As at December 31, 2023

(All amounts in thousand Philippine Peso)

Name and Designation of Debtor	Balance at beginning of year	Additions	Amounts collected	Amounts written-off	Current	Not Current	Balance at end of period
Concepcion Industrial Corporation, Parent Company	278,000	532,239	(387,778)	-	422,461	-	422,461
Concepcion-Carrier Air Conditioning Company, Subsidiary	20,898	91,886	(72,148)	-	40,636	-	40,636
Concepcion Durables Inc., Subsidiary	7,299	55,855	(45,681)	-	17,473	-	17,473
Concepcion Business Services, Inc., Subsidiary	92,591	672,228	(674,050)	-	90,769	-	90,769
Cortex Technologies Corporation, Subsidiary	24,160	1,141	(306)	-	24,995	-	24,995
Concepcion-Otis Philippines, Inc., Subsidiary	-	98	-	-	98	-	98
Teko Solutions Asia Inc., Subsidiary	1,222	21,797	(20,915)	-	2,104	-	2,104
Alstra Incorporated, Subsidiary	-	45,900	(45,900)	-	-	-	-
Tenex Services, Inc., Subsidiary	16,942	146,392	(134,059)	-	29,275	-	29,275

**Concepcion Industrial Corporation and Subsidiaries**

Schedule D - Long-Term Debt  
As at December 31, 2023  
(All amounts in thousand Philippine Peso)

Title of issue and Type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term Debt" in related balance sheet
N/A	N/A	N/A	N/A

**Concepcion Industrial Corporation and Subsidiaries**

Schedule E - Indebtedness to Related Parties  
(Long-Term Loans from Related Companies)

As at December 31, 2023

(All amounts in thousand Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

**Concepcion Industrial Corporation and Subsidiaries**

Schedule F - Guarantees of Securities of Other Issuers

As at December 31, 2023

(All amounts in thousand Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

**Concepcion Industrial Corporation and Subsidiaries**

Schedule G - Capital Stock - broker  
As at December 31, 2023

---

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related balance sheet caption	Numbers of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	700,000,000	397,912,491	N/A	4,678,685	15,215,763	N/A

---

## Concepcion Industrial Corporation and Subsidiaries

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

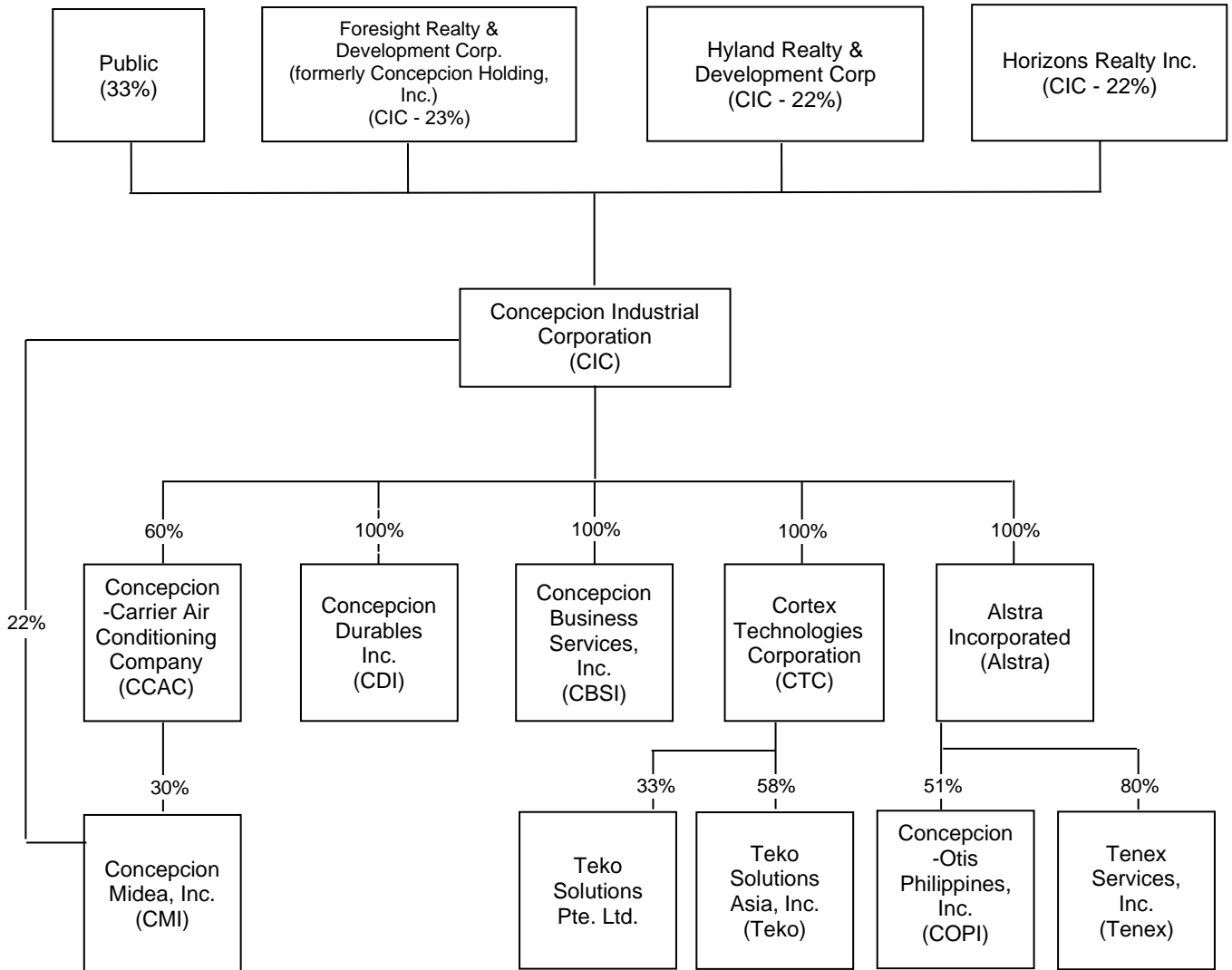
Ratio	Formula	Current Year	Prior Year
	Total Current Assets divided by Total Current Liabilities		
Current ratio	$\frac{\text{Total Current Assets}}{\text{Divide by: Total Current Liabilities}}$ Current ratio	2.16	2.16
	Quick assets ( <i>Total Current Assets less Inventories and Other Current Assets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

Ratio	Formula	Current Year	Prior Year
Earnings per share	<p>Net income attributable to owners of the Parent Company divided by average outstanding shares</p> $\frac{\text{Net income}}{\text{Divided by: Outstanding shares}}$ <p>Earnings per share</p>	0.96	0.38
Book value per share	<p>Total equity (net of non-controlling interest) divided by average outstanding shares</p> $\frac{\text{Total equity}}{\text{Divided by: Outstanding shares}}$ <p>Book value per share</p>	12.66	12.18



## Concepcion Industrial Corporation and Subsidiaries

Additional Components of Financial Statements  
 A Map Showing Relationships between and among the Parent Company and its  
 Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates  
 As at December 31, 2023



**Annex 68-D**

**Concepcion Industrial Corporation and Subsidiaries**  
308 Gil Puyat Avenue  
Makati City

**Reconciliation of Parent Company's Retained Earnings Available for Dividend Declaration**  
**For the year ended December 31, 2023**  
**(All amounts in Philippine Peso)**

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

\*Unappropriated Retained Earnings (net of Treasury Shares)



## Belen, Ronalyn

---

**From:** eafs@bir.gov.ph  
**Sent:** Wednesday March 27 2024 11:39 am  
**To:** CIC Tax  
**Cc:** CIC Tax  
**Subject:** Your BIR AFS eSubmission uploads were received

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Hi CONCEPCION INDUSTRIAL CORPORATION,

### Valid files

- EAFS005029401RPTTY122023.pdf
- EAFS005029401ITRTY122023.pdf
- EAFS005029401TCRTY122023-01.pdf
- EAFS005029401AFSTY122023.pdf

### Invalid file

- <None>

Transaction Code: **AFS-0-QTMQZYP309KCB97K7MX41NNMS09HGLBE7B**

Submission Date/Time: **Mar 27, 2024 11:39 AM**

Company TIN: **005-029-401**

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- 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.

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## 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, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 26<sup>th</sup> day of March 2024

Signed in the presence of:

MA. ANNUNCIATA A. TRANGCO  
# 2020 / 86

  
CHARINA ROSE VENTURA  
2020 288

ACKNOWLEDGEMENT

Republic of the Philippines)

\_\_\_\_\_ ) SS  
**MUNTINLUPA CITY**

Before me, a notary public for and in the **MUNTINLUPA CITY** \_\_\_\_\_ this

**MAR 26 2024** \_\_\_\_\_ 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

**MAR 26 2024** \_\_\_\_\_

Doc No. 572  
Page No. 103  
Book No. 317  
Series of 2024

**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. 14474126; 01-02-24; Muntinlupa City  
NC-24-016; Muntinlupa City until 12-31-25  
TIN: 137-734-581  
Roll No. 33796  
Tel. No. 8800-70-16  
patricio\_boncayao\_lawoffice@yahoo.com.ph



## **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, 2023 and 2022, 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, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

#### ***Basis for our Opinion***

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the 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, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, [www.pwc.com/ph](http://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.



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

- 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.

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 18 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.**

  
Inelda Ronnie de Guzman-Castro

Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 12, 2024 at Makati City

T.I.N. 152-015-095

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

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

Makati City  
March 26, 2024

**Concepcion Industrial Corporation**

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

	Notes	2023	2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2	110,136,989	163,688,583
Receivables	3	424,764,807	284,559,220
Prepayments and other current assets	4	23,118,733	22,862,273
Subscription receivable	1, 9	-	20,000,000
Total current assets		558,020,529	491,110,076
<b>Non-current assets</b>			
Investments in subsidiaries and an associate	5	4,001,677,714	3,954,802,714
Investment property	7	40,254,900	40,254,900
Property and equipment, net	6	63,910	117,683
Total non-current assets		4,041,996,524	3,995,175,297
<b>Total assets</b>		<b>4,600,017,053</b>	<b>4,486,285,373</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accrued expenses and other current liabilities	8	68,896,336	46,825,526
Provision	10	18,220,000	-
Due to related parties	9	1,426,699	1,272,891
Total current liabilities		88,543,035	48,098,417
<b>Non-current liability</b>			
Retirement benefit obligation	14	23,457,779	21,647,266
Total liabilities		112,000,814	69,745,683
<b>Equity</b>			
Share capital	12	407,263,891	407,263,891
Share premium	12	993,243,008	993,243,008
Treasury shares	12	(241,464,664)	(241,464,664)
Retained earnings	12	3,326,412,998	3,254,802,730
Other comprehensive income	14	2,561,006	2,694,725
Total equity		4,488,016,239	4,416,539,690
<b>Total liabilities and equity</b>		<b>4,600,017,053</b>	<b>4,486,285,373</b>

The notes on pages 1 to 28 are integral part of these separate financial statements.

**Concepcion Industrial Corporation**

Statements of Total Comprehensive Income  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Notes	2023	2022
<b>Income</b>			
Dividend income	5, 9	368,838,848	551,235,123
Interest income	2, 9	5,151,639	3,906,363
Miscellaneous income, net		183,842	211,863
<b>Total income</b>		<b>374,174,329</b>	<b>555,353,349</b>
<b>Expenses</b>			
Personnel costs		(52,945,390)	(32,600,823)
Professional fees		(19,674,777)	(7,408,323)
Contingency	10	(11,775,500)	(2,444,499)
Advertising and promotion		(3,544,400)	(614,679)
Taxes and licenses		(3,056,257)	(2,351,752)
Company events		(2,898,931)	(13,338,646)
Outside services		(1,667,611)	(6,138,946)
Rent and utilities		(1,212,162)	(1,188,494)
Registration		(846,421)	(830,818)
Insurance		(259,655)	(250,727)
Supplies		(69,337)	(181,914)
Others		(5,638,883)	(7,244,332)
<b>Total expenses</b>		<b>(103,589,324)</b>	<b>(74,593,953)</b>
<b>Income before income tax</b>		<b>270,585,005</b>	<b>480,759,396</b>
Income tax expense	11	(18,491)	(8,440)
<b>Net income for the year</b>		<b>270,566,514</b>	<b>480,750,956</b>
<b>Other comprehensive loss that will not be subsequently reclassified to profit or loss</b>			
Remeasurement loss of retirement benefit obligation	14	(133,719)	(3,795,180)
<b>Total comprehensive income for the year</b>		<b>270,432,795</b>	<b>476,955,776</b>
<b>Earnings per share - basic and diluted</b>	13	<b>0.68</b>	<b>1.20</b>

The notes on pages 1 to 28 are integral part of these separate financial statements.

**Concepcion Industrial Corporation**

Statements of Changes in Equity  
For the years ended December 31, 2023 and 2022  
(All amounts in Philippine Peso)

	Share capital (Note 12)	Share premium (Note 12)	Treasury shares (Note 12)	Retained earnings (Note 12)	Other comprehensive income (Note 14)	Total
<b>Balances as at January 1, 2022</b>	407,263,891	993,243,008	(172,108,440)	3,175,906,865	6,489,905	4,410,795,229
<b>Comprehensive income</b>						
Net income for the year	-	-	-	480,750,956	-	480,750,956
Remeasurement loss on retirement benefit	-	-	-	-	(3,795,180)	(3,795,180)
Total comprehensive income for the year	-	-	-	480,750,956	(3,795,180)	476,955,776
<b>Transactions with owners</b>						
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)
<b>Balances as at December 31, 2022</b>	407,263,891	993,243,008	(241,464,664)	3,254,802,730	2,694,725	4,416,539,690
<b>Comprehensive income</b>						
Net income for the year	-	-	-	270,566,514	-	270,566,514
Remeasurement loss on retirement benefit	-	-	-	-	(133,719)	(133,719)
Total comprehensive income for the year	-	-	-	270,566,514	(133,719)	270,432,795
<b>Transaction with owners</b>						
Cash dividends declared	-	-	-	(198,956,246)	-	(198,956,246)
<b>Balances as at December 31, 2023</b>	407,263,891	993,243,008	(241,464,664)	3,326,412,998	2,561,006	4,488,016,239

The notes on pages 1 to 28 are integral part of these separate financial statements.

## Concepcion Industrial Corporation

### Statements of Cash Flows For the years ended December 31, 2023 and 2022 (All amount in Philippine Peso)

	Notes	2023	2022
<b>Cash flows from operating activities</b>			
Income before income tax		270,585,005	480,759,396
Adjustments for:			
Dividend income	5, 9	(368,838,848)	(551,235,123)
Provision for contingencies	10	11,775,500	2,444,499
Interest income on bank deposits and short-term placements	2	(4,120,007)	(3,290,931)
Retirement benefit expense	14	1,676,794	1,383,120
Interest income on due from related party	9	(1,031,632)	(615,432)
Depreciation and amortization	6	53,773	154,197
Loss on disposal of property and equipment		-	16,728
Operating loss before changes in working capital		(89,899,415)	(70,383,546)
Changes in working capital:			
Receivables		4,220,222	(2,091,218)
Prepayments and other current assets		(274,951)	(3,295,846)
Accrued expenses and other current liabilities		28,515,310	5,283,497
Due to related parties		153,807	(281,690)
Cash absorbed by operations		(57,285,027)	(70,768,803)
Interest received from bank deposits	2	104,128	2,332
Net cash used in operating activities		(57,180,899)	(70,766,471)
<b>Cash flows from investing activities</b>			
Dividends received	5, 9	368,838,848	551,235,123
Loan to a related party	9	(144,000,000)	(277,500,000)
Payment on shares subscription	1, 9	(26,875,000)	-
Interest received from short-term placements	2	3,899,201	3,395,354
Interest received on due from related party	9	722,502	319,715
Additions to property and equipment	6	-	(161,321)
Net cash provided by investing activities		202,585,551	277,288,871
<b>Cash flows from financing activities</b>			
Cash distributions of profits	9	(198,956,246)	(401,855,091)
Acquisitions of treasury shares	12	-	(69,356,224)
Net cash used in financing activities		(198,956,246)	(471,211,315)
<b>Net decrease in cash and cash equivalents</b>		(53,551,594)	(264,688,915)
Cash and cash equivalents as at January 1		163,688,583	428,377,498
<b>Cash and cash equivalents as at December 31</b>	2	110,136,989	163,688,583

The notes on pages 1 to 28 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, 2023 and 2022

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

### **1 General Information**

#### **1.1 Registration and business**

Concepcion Industrial Corporation (the Parent Company or CIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 1997 primarily to carry on business as a holding company, including but not limited to the acquisition by purchase, exchange, assignment, gift, importation or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, mortgage, pledge, traffic or otherwise to enjoy and dispose of real and personal property of every kind and description, including land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic, and while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to receive, collect, and dispose of, any and all dividends, rentals, interest and income derived therefrom and generally perform acts or things designed to promote, protect, preserve, improve or enhance the value of any such land, condominium units, buildings, machineries, equipment, bonds, debentures, promissory notes, shares of capital stock, securities or obligations to the extent permitted by law without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company. CIC's subsidiaries are incorporated and operating in the Philippines.

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

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, 2023 and 2022, the Company has at least 15 shareholders 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, 2023 and 2022, 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, the shares of which were issued to CIC subsequently in November 2021 and April 2023, respectively. On November 30, 2023, CIC paid P26.8 million to fully pay the P62.5 million subscription.

On July 30, 2021, CTC acquired 33% ownership interest in Teko Solutions Pte. Ltd. (Teko SG) for 1USD. Teko SG is a company incorporated in Singapore. Its purpose is to be a holding company for the regional expansion of Teko across Southeast Asia. As at December 31, 2023, Teko SG has not started commercial operations.

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

### *Teko Solutions Asia Inc. (Teko)*

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

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

On October 1, 2020, one of the shareholders of Teko sold 1,831 shares of its ordinary shares to the CTC for a consideration of P6,066 increasing its ownership to 16,581 shares or 58% ownership. As at December 31, 2023 and 2022, transfer of share certificates is on hold and is awaiting the release of Certificate Authorizing Registration (CAR) from the Bureau of Internal Revenue (BIR).

### *Tenex Services, Inc. (Tenex)*

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



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

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

## 2 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash on hand	20,000	20,000
Cash in banks	1,016,989	1,668,583
Short term placements	109,100,000	162,000,000
	110,136,989	163,688,583

Cash in banks earn interest at the prevailing bank deposit rates while cash equivalents represent short-term placements that earn an average interest of 4.85% and 2.75% in 2023 and 2022, respectively. Interest income earned from cash and cash equivalents for the year ended December 31, 2023 amounted to P4,120,007 (2022 - P3,290,931).

## 3 Receivables

Receivables as at December 31 consist of:

	Note	2023	2022
Due from related parties	9	423,058,692	279,760,739
Advances to suppliers		571,429	4,464,348
Accrued interest		404,678	288,000
Advances to employees		25,208	22,833
Others		704,800	23,300
		424,764,807	284,559,220

Advances to suppliers represent claims for goods yet to be delivered or services yet to be rendered.

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 services paid in advance in 2023 (2022 - security deposit to HMO provider).

## 4 Prepayments and other current assets

Details of prepayments and other current assets as at December 31 are as follows:

	2023	2022
Input value added tax (VAT), net of output VAT	16,880,174	16,474,611
Prepaid taxes	5,004,690	4,571,315
Prepaid expenses	1,233,869	1,816,347
Balance at December 31	23,118,733	22,862,273

Prepaid expenses include payments made for insurances and subscriptions expected to be used within 12 months after reporting date.

## 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	2023	2022
<b>Subsidiaries</b>				
Concepcion-Carrier Air Conditioning Company (CCAC)	Philippines	60	1,445,879,634	1,445,879,634
Concepcion Durables, Inc. (CDI)	Philippines	100	1,022,848,080	1,022,848,080
Alstra	Philippines	100	1,040,450,000	1,040,450,000
CTC	Philippines	100	262,500,000	215,625,000
Concepcion Business Services, Inc. (CBSI)	Philippines	100	120,000,000	120,000,000
			3,891,677,714	3,844,802,714
<b>Associate</b>				
Concepcion Midea, Inc. (CMI)	Philippines	40	110,000,000	110,000,000
			4,001,677,714	3,954,802,714

As at December 31, 2023 and 2022, the following were considered subsidiaries of the Company through indirect ownership:

	Country of incorporation	Percentage of indirect ownership		Year of Acquisition
		2023	2022	
<b>Subsidiaries</b>				
Concepcion-Otis Philippines Inc. (COPI)	Philippines	51	51	2014
Teko Solutions Asia, Inc. (Teko)	Philippines	58	58	2018
Tenex	Philippines	80	80	2022

### 5.1 Subsidiaries with direct ownership

#### 5.1.1 CCAC

CCAC engages in the manufacture, sale, distribution, installation, and service of HVAC products and services for residential, commercial, and industrial use.

The following are the summarized financial information of CCAC as at and for the years ended December 31 (in thousands):

	2023	2022
Current assets	5,675,801	5,397,248
Non-current assets	859,462	820,413
Current liabilities	(2,527,710)	(2,397,898)
Non-current liabilities	(473,108)	(431,068)
Total equity	(3,534,445)	(3,388,695)
Revenue	8,993,594	7,666,532
Net income for the year	582,732	433,576
Other comprehensive income (loss)	(6,982)	4,860
Total comprehensive income	575,750	438,436
Cash provided by operating activities	1,093,871	116,876
Cash used in investing activities	(46,137)	(25,783)
Cash used in financing activities	(616,114)	(649,251)

For the year ended December 31, 2023, the Company earned from its investment in CCAC dividends amounting to P258 million (2022 - P303.1 million) (Note 9).

### 5.1.2 *CDI*

CDI engages primarily in the manufacture, distribution and sales of refrigeration equipment, including Condura and Kelvinator brands of refrigerators and freezers. Since 2020, CDI has expanded its product portfolio from small domestic appliances such as rice cooker, coffee maker, juicer to kitchen and laundry appliances.

For the year ended December 31, 2023, the Company earned dividend from its investment in CDI amounting to P64.9 million (2022 - P207.3 million) (Note 9).

### 5.1.3 *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.

### 5.1.4 *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. On September 29, 2023, CTC was appointed as the distribution arm of CIC for its strategic partnership with JS Global to market and sell home appliances branded under "Shark" and "Ninja".

### 5.1.5 *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.

For the year ended December 31, 2023, the Company earned dividend from its investment in Alstra amounting to P45.9 million (2022 - P40.8 million) (Note 9).

## 5.2 **Investment in an associate**

### *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.

The following are the summarized financial information of CMI as at and for the years ended December 31 (in thousands):

	2023	2022
Current assets	1,936,479	1,460,127
Non-current assets	112,202	95,663
Current liabilities	(1,857,302)	(1,384,063)
Non-current liabilities	(33,942)	(31,371)
Total equity	(157,437)	(140,356)
Revenue	3,545,336	2,649,732
Net income (loss) for the year	18,106	(59,505)
Other comprehensive income (loss)	(1,025)	2,165
Total comprehensive income (loss)	17,081	(57,340)
Cash provided by operating activities	19,697	25,766
Cash used in investing activities	(1,975)	(6,829)
Cash used in financing activity	(34,889)	(26,747)

### 5.3 Subsidiaries and an associate with indirect ownership

#### 5.3.1 COPI (Subsidiary)

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.

As at December 31, 2023 and 2022, 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):

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

#### 5.3.2 Teko (Subsidiary)

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

The following are the summarized financial information of Teko as at and for the years ended December 31 (in thousands):

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

### 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):

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

### 5.3.4 Teko SG (Associate)

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.

Teko SG has not yet started commercial operations. As at and for the years ended December 31, 2023 and 2022, the transactions and balances of Teko SG are limited to cash and equity of USD3. No additional transaction was made in 2023.

## 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
<b>Cost</b>				
At January 1 and December 31, 2023	606,165	199,190	260,746	1,066,101
<b>Accumulated depreciation</b>				
At January 1, 2023	488,482	199,190	260,746	948,418
Depreciation and amortization	53,773	-	-	53,773
At December 31, 2023	542,255	199,190	260,746	1,002,191
Net book values as at December 31, 2023	63,910	-	-	63,910
<b>Cost</b>				
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
<b>Accumulated depreciation</b>				
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

The cost of fully depreciated assets still in use at December 31, 2023 and 2022 amounted to P904,780.

In 2022, the disposal pertains to a transfer of a computer hardware to a former key management personnel and was treated as a non-cash activity for cash flows purposes.

## 7 Investment property

As at December 31, 2023 and 2022, 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, 2023 and 2022 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 2023 and 2022.

There was no income earned related to the property for the years ended December 31, 2023 and 2022. Further, direct operating expense amounting to P30,720 for the investment property was incurred in 2023 and 2022.

## 8 Accrued expenses and other current liabilities

Accrued expenses and other current liabilities as at December 31 consist of:

	2023	2022
Accrued bonuses	29,720,320	12,875,048
Accrued outside services	21,692,560	25,452,668
Benefits of directors, officers and employees	10,232,839	3,380,024
Accrued legal and professional fees	5,898,250	2,692,565
Payable to suppliers	-	999,939
Payable to government and other regulatory agencies	716,252	609,119
Other liabilities	636,115	816,163
	68,896,336	46,825,526

Payable to suppliers pertain to the Company's events in 2022.

## 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	2023		2022		Terms and conditions
	Transactions	Outstanding receivable (payable)	Transactions	Outstanding receivable (payable)	
<b>Due from related parties</b>					
Shareholders					
Reimbursements	140,755	597,626	367,610	613,196	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
Subsidiaries					
Dividend income	368,838,848	-	551,235,123	-	These are unsecured and non-interest bearing receivable in cash within 12 months upon declaration of subsidiary (Note 5).
Loan	144,000,000	421,500,000	277,500,000	277,500,000	These are receivable in cash within 12 months. These receivables are unsecured and interest bearing.
Interest	1,031,632	604,847	615,432	295,717	These are interest related to loans and receivable in cash within 30 days.
Reimbursements	20,890,528	356,219	22,662,854	204,452	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
Additional stock subscription (CTC)	26,875,000	-	-	20,000,000	Refer to Note 1.
Associate					
Reimbursements to an associate	1,337,535	-	1,467,399	1,147,374	Receivables are collectible in cash within 30 to 90 days from billing date. These receivables are unsecured and non-interest bearing.
		423,058,692		299,760,739	
<b>Due to related parties</b>					
Shareholders					
Dividend declaration	198,956,246	-	401,855,091	-	These are payable in cash within 12 months from reporting date (Note 12).
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	2,249,459	(269,960)	17,701,375	(116,152)	These are payable in cash and are due within 30 to 60 days from date of each transaction.
Purchase of goods	272,250	-	-	-	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.
		(1,426,699)		(1,272,891)	
Key management personnel					
Directors' fees	6,553,158	(9,505,316)	1,917,832	(2,952,158)	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	9,312,714	(3,008,723)	8,869,251	(2,865,450)	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	895,453	(23,298,958)	852,813	(21,336,671)	Refer to Note 14.



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 17.4).

## 10 Provision

Details and movements in provision for contingencies as at December 31 follow:

	2023	2022
Beginning	-	-
Provisions	11,775,501	-
Other	6,444,499	-
Ending	18,220,000	-

Provision for contingencies pertains to provision for assessments.

## 11 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, 2023, the Company applied RCIT rate of 25% and MCIT rate of 1.5% (2022 - 25% and 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, 2023 and 2022. Details of unrecognized deferred income tax assets as at December 31 are as follows:

	2023	2022
Deferred tax assets		
Net operating loss carry-over (NOLCO)	78,119,734	64,035,924
Accrued expenses	14,010,910	7,881,312
Accrued bonuses	7,430,080	3,218,762
Retirement benefit obligation	5,864,445	5,411,817
Minimum corporate income tax (MCIT)	30,668	23,065
	105,455,837	80,570,880

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	2023	2022
2019	2022	-	136,293,406
2020	2025	116,494,195	116,494,195
2021	2026	80,542,128	80,542,128
2022	2025	59,107,375	59,107,375
2023	2026	56,335,238	-
		312,478,936	392,437,104
Expired during the year		-	(136,293,406)
Total NOLCO		312,478,936	256,143,698
Tax benefit at 25% tax rate		78,119,734	64,035,924

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

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

Year incurred	Year of expiration	2023	2022
2019	2022	-	622,608
2020	2023	10,888	10,888
2021	2024	3,737	3,737
2022	2025	8,440	8,440
2023	2026	18,491	-
		41,556	645,673
Expired during the year		(10,888)	(622,608)
Total MCIT		30,668	23,065

Income tax expense for the year ended December 31, 2023 and 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:

	2023	2022
Income tax at statutory rate of 25%	67,646,251	120,189,849
Add (Deduct) tax effects of:		
Unrecognized NOLCO	14,083,809	14,776,844
Movement in unrecognized deferred tax assets	10,760,114	3,094,431
Non-deductible expenses	749,540	570,390
MCIT directly charged to expense	18,491	8,440
Interest income subject to final tax	(1,030,002)	(822,733)
Non-taxable dividend income	(92,209,712)	(137,808,781)
Income tax expense at effective tax rate	18,491	8,440

## 12 Equity

### 12.1 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, 2022	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)
Acquisition of treasury shares	-	-	-	-
December 31, 2023	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, 2022		5,408,800		172,108,440
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
		9,351,400		241,464,664

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

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

### 12.2 Retained earnings; subsequent event

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

Date declared	Record date	Payment date	Per share	2023	2022
March 29, 2023	April 18, 2023	April 25, 2023	0.5	198,956,246	-
February 16, 2022	March 17, 2022	April 12, 2022	1.0	-	401,855,091

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

### 13 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:

	2023	2022
Net income for the year	270,566,514	480,750,956
Weighted average common shares - basic and diluted	397,912,491	400,161,134
Basic and diluted earnings per share	0.68	1.20

### 14 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:

	2023	2022
Discount rate	6.71%	5.50%
Salary increase rate	3.70%	3.70%
Average expected future service years of plan members	9.30	10.30

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:

	2023	2022
Retirement benefit obligation	23,457,779	21,647,266
Retirement benefit expense	1,676,794	1,383,120

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:

	2023	2022
January 1	21,647,266	16,468,966
Current service cost	475,371	872,582
Interest cost	1,201,423	510,538
Remeasurement losses (gains)		
Changes in financial assumptions	(36,501)	(340,379)
Experience adjustments	170,220	4,135,559
December 31	23,457,779	21,647,266

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

Details of retirement benefit expense for the years ended December 31 are as follows:

	2023	2022
Current service cost	475,371	872,582
Interest expense	1,201,423	510,538
December 31	1,676,794	1,383,120

The movements of retirement benefit obligation recognized in the separate statements of financial position for the years ended December 31 are as follows:

	2023	2022
January 1	21,647,266	16,468,966
Retirement benefit expense	1,676,794	1,383,120
Remeasurement loss	133,719	3,795,180
December 31	23,457,779	21,647,266

The movements of other comprehensive gains recognized in the separate statements of financial position for the years ended December 31 are as follows:

	2023	2022
January 1	2,694,725	6,489,905
Remeasurement loss	(133,719)	(3,795,180)
December 31	2,561,006	2,694,725

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

	2023	2022
Less than a year	23,289,896	22,604,722
More than 1 year up to 5 years	43,753	30,599
More than 5 years up to 10 years	75,426	48,195
	23,409,075	22,683,516

## 15 Financial risk and capital management

### 15.1 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, 2023 and 2022.

#### 15.1.1 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.

#### *15.1.2 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, 2023 and 2022, 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.

#### *15.1.3 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.

## **15.2 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, 2023 and 2022.

### **15.3 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.

## **16 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.

### **16.1 Critical judgments in applying the Company's accounting policies**

#### *16.1.1 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.

#### *16.1.2 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 15.1.2.

### 16.1.3 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 11.

## 16.2 Critical accounting estimates and assumptions

### 16.2.1 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 14, 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:

	2023		2022	
	%	Impact	%	Impact
Decrease due to 100 basis point (bps) increase in discount rate	(0.1%)	(25,101)	(0.6%)	(126,431)
Increase due to 100 bps decrease in discount rate	0.1%	30,918	0.6%	132,967
Increase due to 100 bps increase in salary increase rate	0.1%	31,579	0.6%	134,077
Decrease due to 100 bps decrease in salary increase rate	(0.1%)	(25,981)	(0.6%)	(129,857)
Increase due to zero attrition rates	(0.1%)	(18,699)	0.0%	(6,109)

## 17 Summary of material 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.

### 17.1 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 16.

#### *Changes in accounting policy and disclosures*

##### *(a) New and amendment to existing standards and interpretations adopted by the Company*

The Company has applied the following amendments for the first time for their annual reporting period commencing January 1, 2023:

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

PAS 1, "*Presentation of Financial Statements*" was amended to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The effects of adoption of amendments to PAS 1 and PFRS Practice Statement 2 as at January 1, 2023 are considered in the Summary of material accounting policies (Note 17).

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

The amendments to PAS 12, "*Income Taxes*" require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

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

The cumulative effect of recognising these adjustments is recognised in the opening balance of 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 adoption did not have any impact on the amounts recognized in prior periods and is not expected to significantly affect the current or future periods.

*(b) New standards, amendments and interpretations not yet adopted by the Company*

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

## **17.2 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.

## **17.3 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 compared based on shared credit risk characteristics. The expected loss rates are based on the qualitative and quantitative assessment for the Company's 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.

## **17.4 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.

*(a) Classification*

The Company only holds financial assets and liabilities 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.

*(b) Impairment*

The Company assesses on a forward-looking basis the expected credit losses 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.

*(c) Derecognition*

A financial asset is 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.

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.

## **17.5 Investments in subsidiaries and an associate**

### *17.5.1 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.

#### 17.5.2 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.

### 17.6 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.

## **17.7 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.

## **17.8 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.

## **17.9 Current and deferred income tax**

Income tax expense for the period normally comprise of current and deferred income 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 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.

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

## **17.10 Leases**

*The Company is the lessee*

### *(a) Measurement of lease liabilities*

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the 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 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.

### **17.11 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.

### **17.12 Equity**

#### *17.12.1 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.

#### *17.12.2. 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.

### *17.12.3 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.

## **17.13 Employee benefits**

### *17.13.1 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.

### *17.13.2 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.

### *17.13.3 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.



## **17.14 Earnings per share**

### *17.14.1 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.

### *17.14.2 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.

## **17.15 Income and expense recognition**

### *17.15.1 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.

### *17.15.2 Expenses*

Expenses are charged to operations when incurred.

## **17.16 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.

## **18 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.

### **18.1 Output VAT**

The Company is VAT-registered and output VAT declared for the year ended December 31, 2023 amounted to P3,010,078 based on gross receipts of P28,094,065. The gross receipts mainly represent collection of income from services to related parties presented as miscellaneous income, net of direct expenses.

## 18.2 Input VAT

Movements in input VAT for the year ended December 31, 2023 are as follows:

Beginning balance	16,805,906
Domestic purchase of services	3,001,063
Domestic purchase of goods	43,676
Output VAT applied	
From current year income	(3,010,078)
Total input VAT	16,840,567

## 18.3 Importations

The Company had no import transactions that are subject to customs duties and tariffs for the year ended December 31, 2023.

## 18.4 Documentary stamp tax

The Company paid P32,412 documentary stamp taxes for the year ended December 31, 2023.

## 18.5 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	33,720
Business permit	20,154
Community tax	1,814
Others	10,525
	66,213

## 18.6 Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2023 consist of:

	Paid	Accrued	Total
Final withholding tax	9,529,182	-	9,529,182
Withholding tax on compensation	9,207,868	482,022	9,689,890
Expanded withholding tax	979,683	49,453	1,029,136
Fringe benefit tax	489,878	171,437	661,315
	20,206,611	702,912	20,909,523

## 18.7 Tax cases and assessments

On February 20, 2023 the Company received Preliminary Assessment Notice (PAN) from BIR pursuant to Letter of Authority No. eLA201700044566 dated July 22, 2021.

On March 29, 2023, the Company received a Final Assessment Notice (FAN) & Formal Letter of Demand related to 2020 LOA, which has been settled for P4,022,625 on July 5, 2023.

As at December 31, 2023, the Company has two (2) open tax assessments pursuant to Letter of Authority No. eLA202200044576 and No. eLA202200044477 covering the calendar years 2021 and 2022, respectively.

# ANNEX D

2024 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 25, 2024 (the "Stockholder/s") may register by notifying the Corporate Secretary by email to [cic.secretary@romulo.com](mailto:cic.secretary@romulo.com) on or before July 15, 2024. Registration shall be open from July 4, 2024 to July 15, 2024.
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 25, 2024)
    - 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 25, 2024)
      - 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



# ANNEX E

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) SS.

## SECRETARY'S CERTIFICATE

I, **JAYSON L. FERNANDEZ**, of legal age, with office address at 21<sup>st</sup> Floor, AIA 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
Ma. Victoria Herminia C. Young	Director
Jose Ma. A Concepcion III	Director
Raissa C. Hechanova-Posadas	Director
Cesar A. Buenaventura	Director
Justo A. Ortiz	Director
Luis Y. Benitez, Jr.	Director
Rafael C. Hechanova	Chief Corporate Affairs Officer
Isaias Ariel P. Fermin	Chief Executive Officer
Rajan Komarasu	Chief Finance and Operating Officer
Maria Victoria A. Betita	Chief Strategy and Transformation Officer
Marivic B. Landicho	Chief Audit Executive
Omar C. Taccad	Chief Compliance Officer/Chief Legal Counsel
Jayson L. Fernandez	Corporate Secretary
Roxanne Viel C. Santos Cua	Assistant Corporate Secretary
Jennie Rose D. David	Investor Relations Lead

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

  
**JAYSON L. FERNANDEZ**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me in Makati City this JUN 19 2024 2024.  
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. 155 ;  
Page No. 32 ;  
Book No. 1 ;  
Series of 2024.

**ATTY. CHELSEA BETTINA L. MONASTERIO**

Commission No.M-331  
Notary Public for Makati City  
Until December 31,2025  
.21st Floor, AIA Tower  
8767 Paseo de Roxas, Makati City  
Roll No.89534  
PTR No.10096968 / 18-Jan-2024 / Makati City  
IBP No.423312 / 16-Jan-2024 / Pampanga  
Bar Admitted December 22,2023

# ANNEX F

## 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 day 30<sup>th</sup> of May 2024, at Muntinlupa City.

  
**LUIS Y. BENITEZ**  
Affiant

SUBSCRIBED AND SWORN to before me this **MAY 31 2024** at Muntinlupa City. Affiant personally appeared before me and exhibited to me his Driver's License No. N18-74-032668 valid until May 29, 2025.

Doc. No. 320  
Page No. 01;  
Book No. 30  
Series of 2024.

Notary Public  
2nd Floor, JLC Bldg., Rotonda,  
Alabang, Muntinlupa City  
MCLR Compliance No. VII-0015578  
Issued on 04-13-22; Valid until 4-14 2025  
IIP Lifetime No. 019651; 11-06-15; Pansy City  
PTR No. 1874126; 01-02-24; Muntinlupa City  
NC-24-016; Muntinlupa City until 12-31-25  
TWR: 137-730-581  
Roll No. 33796  
Tel. No. 8888-70-16  
patricia.kawaguan.legal@pakee.com.ph

## ANNEX F-1

### 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:

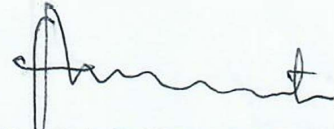
<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Buenaventura Echauz & Partners, Inc.	Chairman	2001 to present
DMCI Holdings, Inc.	Vice Chairman	1995 to present
DM Consunji, Inc.	Director	1995 to present
International Container Terminal Services, Inc.	Director	2019 to present
iPeople, Inc.	Director	1991 to present
Petroenergy Resources Corp.	Director	1995 to present
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 31<sup>st</sup> of May 2024, at Muntinlupa City.



**CESAR A. BUENAVENTURA**  
Affiant

SUBSCRIBED AND SWORN to before me this JUN 03 2024 at Muntinlupa City. Affiant personally appeared before me and exhibited to me his Passport ID No. P9753800A valid until November 28, 2028.

Doc. No. 330;  
Page No. 06;  
Book No. 317;  
Series of 2024.



**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. 10474126; 01-02-24; Muntinlupa City  
NC-24-016; Muntinlupa City until 12-31-25  
TIN: 137-734-581  
Roll No. 33796  
Tel. No. 8800-70-16  
patricio\_boncayao\_lawoffice@yahoo.com.ph

## ANNEX F-2

### 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:

<b>Company/Organization</b>	<b>Position/Relationship</b>	<b>Period of Service</b>
Philippine Payments Management, Inc.	Director	Sept 2022 to 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, Board of Governors	October 1, 2017 to present
Pilmico Foods Corporation	Director	January 1, 2021 to 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 31<sup>st</sup> of May 2024, at Muntinlupa City.

  
**JUSTO A. ORTIZ**  
Affiant

SUBSCRIBED AND SWORN to before me this MAY 31 2024 at Muntinlupa City, affiant personally appeared before me and exhibited to me his Passport ID no. P0349890B issued at DFA Manila on January 22, 2019.

Doc. No. 331;  
Page No. 08;  
Book No. 312;  
Series of 2024.

**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. 10474126; 01-02-24; Muntinlupa City  
NC-24-016; Muntinlupa City until 12-31-25  
TIN: 137-734-531  
Roll No. 33795  
Tel. No. 8800-70-16  
patricio\_boncayao.lawoffice@yahoo.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 27, 2023, at 10:00 a.m., conducted virtually via Zoom.

The Chairman, Mr. Raul Joseph A. Concepcion, welcomed the stockholders to the 2023 Annual Meeting. He explained that the Board decided to conduct the meeting in virtual format to broaden stakeholder engagement and allow more stockholders to participate. 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](mailto:investorrelations@cic.ph) and the questions would be read during the “Question and Answer” portion that will take place in “Other Matters” or Item 10 of the Agenda. The Chairman remarked that he will endeavor to answer questions received but should there be time constraints, the Company will subsequently provide answers through the investor relations portion of the Company’s website or directly communicate with the concerned shareholder should confidentiality restrictions apply.

The Chairman informed the stockholders that he was speaking from the corporate offices at Alabang, Muntinlupa City, together with the Corporate Secretary, Atty. Jayson L. Fernandez, the Chief Corporate Affairs Officer, Mr. Rafael C. Hechanova, Jr., the Chief Finance and Operating Officer, Mr. Rajan Komarasu, and the Chief Strategy & Transformation Officer, Ms. Ma. Victoria A. Betita. He then introduced the members of the Board of Directors and the other senior officers who were also present in the meeting via livestream.

The Corporate Secretary, Mr. Jayson L. Fernandez, recorded the minutes of the meeting.

### **I. 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 July 5, 2023. 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 July 5 and 6, 2023. 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 332,966,565 shares representing 83.68% 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 were also in attendance at the 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 17, 2023, or by forwarding his ballot to the office of the Corporate Secretary or via email to [cic.secretary@romulo.com](mailto: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, 332,966,565 issued and outstanding shares of the Company, or 83.68% 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.

**II. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS HELD ON JULY 20, 2022**

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 20, 2022, a copy of which was made available to the stockholders for their perusal at the Company’s website since June 29, 2023.

Considering the Chairman, representing 83.68% of the outstanding voting stock of the Company, voted in favor of this matter, the Minutes of the Annual Meeting of the Stockholders held on July 20, 2022 were approved. The tabulation of votes as validated by the third party auditor was as follows:

	For	Against	Abstain
Number of Voted Shares	332,964,432	0	0
% of Voting Shares Present	83.68%	0%	0%

**III. 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 again.*

*Welcome to the Annual Shareholders meeting of Concepcion Industrial Corporation. We meet again online, to present our company's 2022 performance, priorities and outlook for 2023 and beyond.*

*Let me begin by saying that 2022 was yet another challenging phase of Covid-19's disruption to the economy, markets, businesses and more importantly, people.*

*Despite a challenging environment, the Philippine economy managed to grow a strong 7.6% for 2022, driven by the opening of businesses, increased mobility and the restart of construction and service-related industries that were greatly affected because of the restrictions.*

*However, the conflict in Europe, the rise in energy prices, disruption in the supply chain, devaluation of the peso resulted in record levels of inflation. This forced central banks to raise interest rates to their highest level in over 15 years. These uncertainties and market volatility severely impacted the purchasing power and outlook for both businesses and consumers.*

*CIC was not spared by the impact of these uncertainties. We faced serious headwinds in 2022- Inflation, rising prices, and a weaker peso resulted in higher costs, which inevitably led to weakening demand for our products. The inability to pass this cost up the value chain and the speed of which changes were happening led to a very uncertain and volatile situation. It was important that given all the challenges, we need to keep the positive energy of our people, and so, moving forward, we responded to the uncertainties with optimism.*

*We focused on 3 areas, business recovery, adapting to the new normal and strengthening our culture and capabilities. – our people.*

*Our first focus area was about business recovery. With urgency, we need to address the aftermath of inflation. During these difficult times, we needed to reenergize the organization, simplify and synergize our businesses, strengthen our core by expanding our distribution channels and re-engaging our customers. We responded to the weaker demand by developing new channels to meet our customers, as well as launched new products and services. We responded to the higher costs by optimizing our cost structure and reorganizing to serve the market better. We never lost sight of our long-term objectives and continued to invest in strategic projects. We need to be prepared, once the recovery goes full steam.*

*Second was about adapting to the “new normal”, Consumers, markets, preferred distribution channels have changed dramatically over the last 3*

*years and to survive and thrive, we need to adapt to this new normal. Our key strategic focus is about laying the groundwork for Customer Lifecycle value through Platforms, field service and digital marketing, lead generation and fulfillment. We've also set up a separate organization on growth to help scale new business model innovation projects, as well as building a platform for data analytics.*

*Third is about strengthening our culture and capabilities. We need to organize ourselves to better serve our customers in the new normal. We implemented leadership development programs, upskilling and learning sessions to ensure that we improve our people's capabilities to be able to adapt to the demands of the changing environment. Our People are our number 1 asset, and through the crisis, their safety and well-being have been our paramount priority. Re-engagement and re-energizing them are essential if we are to survive the uncertainties. We looked at the challenging condition as an opportunity to upskill and learn new things.*

*Lastly, the crisis also allowed us to put our mission / our purpose - to life. Uplifting the lives of Filipinos even in the most difficult times.*

*On a financial performance, despite the headwinds, CIC posted a Sales growth of 8% to P 13.2 billion. If we include Midea which is not consolidated, we were at P 15.8B or 4% growth. We were able to contain the drop of earnings to 5%, given the very tough environment that we faced.*

*Despite the weak performance of the external market and our business, and the slowing growth of economy, CIC's balance sheet remains strong; sufficient to support our growth plans and key investments amid uncertainties. As a result, we were able to declare a dividend of Php 0.50 per share on April 18, 2023. Times of adversity require us to work in unison, and I couldn't be prouder of the way the whole company and every individual of CIC came together.*

*This 2023, we continue our journey towards greatness...all our actions are integrated into CIC's strategy house. We continue to build the foundations for a more prosperous tomorrow.*

*In closing, we welcome 2023 with confidence, believing that we are heading towards the path of economic recovery. 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 to 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.*

*Thank you.”*

In connection with the Chairman’s Report, the Chairman reminded the stockholders that the audited financial statements for the fiscal year ended December 31, 2022 of the Company contained in the Annual Report was posted in the Company’s website as indicated in the Notice of the Meeting.

#### **IV. APPROVAL OF THE REPORT OF THE CHAIRMAN AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022**

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 2022.

Considering the Chairman, representing 83.68% of the outstanding voting stock of the Company, voted in favor of this matter, the Chairman’s Report and the audited financial statements of the Company for the year ended December 31, 2022, were approved. The tabulation of votes as validated by the third party auditor was as follows:

	For	Against	Abstain
Number of Voted Shares	332,964,432	0	0
% of Voting Shares Present	83.68%	0%	0%

#### **V. 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, Nominations and Remuneration 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 Definitive Information Statement.

Therefore, there were nine (9) 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, Nominations and Remuneration 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 Corporate Secretary reported that each of the nine (9) nominees for election to the Board garnered enough votes for election as a director of the Company. The tabulation of votes, as validated by the third party auditor, was as follows:

Name	Voted in Favor	Voted Against	Abstained
Raul Joseph A. Concepcion	308,175,100	0	24,789,332
Renna H. Angeles	308,175,100	24,789,332	0
Raul Anthony A. Concepcion	308,175,100	24,789,332	0
Raissa H. Posadas	284,606,918	48,357,514	0
Jose Ma. A. Concepcion III	299,001,536	33,962,896	0
Ma. Victoria Herminia C. Young	284,606,198	48,357,514	0
Cesar A. Buenaventura	305,468,500	27,495,932	0
Justo A. Ortiz	332,964,432	0	0
Luis Y. Benitez, Jr.	332,964,432	0	0

The Chairman introduced the newly elected members of the Board.

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

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

The auditing firm of Isla Lipana & Co. was recommended by the Board to be reappointed as external auditors of the Company.

Considering that the Chair, representing 77.45% of the entire outstanding voting 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 2023, and the corresponding scope of

services and proposed audit fees were likewise approved. The tabulation of votes as validated by the third party auditor was as follows:

	For	Against	Abstain
Number of Voted Shares	308,175,100	24,789,332	0
% of Voting Shares Present	77.45%	6%	0%

## **VII. 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 20, 2022. Upon the Chairman's request, the Corporate Secretary explained that the acts and resolutions of the Board and Management were reflected in the Minutes of the Meetings, the material aspects of which were disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange. A summary of the acts and resolutions of the Board and Management from July 20, 2022 were flashed on the screen.

Considering that the Chair, representing 332,964,432 shares or 83.68% of the outstanding capital stock voted in favor of this matter, all actions taken by the Board of Directors and Management of the Company during the period from July 20, 2022 up to the date of this meeting were ratified and confirmed. The tabulation of votes as validated by the third party auditor was as follows:

	For	Against	Abstain
Number of Voted Shares	332,964,432	0	0
% of Voting Shares Present	83.68%	0%	0%

## **VIII. APPROVAL OF COMPENSATION OF DIRECTORS**

The Chairman stated that the next item on the Agenda was the approval of the compensation of directors.

The Corporate Secretary explained that the affirmative vote of stockholders representing at least a majority of the outstanding capital stock was required to approve the proposed compensation structure of directors which, as fixed by the Board on January 31, 2023 and indicated in Item 8 of the Definitive Information Statement, consists of per diem per Board and Committee meeting attended, and an incentive.

Considering that the Chair, representing 332,964,432 shares or 83.68% of the outstanding capital stock voted in favor of this matter, the compensation of directors as indicated in the Definitive Information Statement was approved. The tabulation of votes as validated by the third party auditor was as follows:

	For	Against	Abstain
Number of Voted Shares	332,964,432	0	0
% of Voting Shares Present	83.68%	0%	0%

## **IX. OTHER MATTERS**

The Chairman asked if there were questions or other matters which the shareholders wished to take up in the meeting.

Ms. Lleva replied that a question was sent via email from Ms. Fernanditas Tiongco asking “What is your outlook for 2023?”

In reply to the question, the Chairman stated that the Corporation remains optimistic on the prospects of the industry, as management sees the economy recovering from the effects of the pandemic and global turmoil. Despite the improving macroeconomic fundamentals in the country, the Corporation will maintain a cautious stance, as the market conditions remain uncertain, and the playing field becomes more dynamic. The Corporation continues to leverage its operational flexibility to weather any unforeseen events. And while efforts are centered on expanding the Corporation’s market share organically, efficiency and resilience, it will be constantly on the lookout for opportunities to expand its business to complement its overall strategy moving forward.

Since no other questions were received by the Corporation through email, the Q&A session was concluded.

## **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 83% 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

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# ANNEX H

## MINUTES OF THE SPECIAL MEETING OF THE STOCKHOLDERS OF CONCEPCION INDUSTRIAL CORPORATION

The Special Meeting of the Stockholders of the Concepcion Industrial Corporation (the “Company”) was held on November 21, 2023, at 10:00 a.m., conducted virtually via Zoom.

The Chairman, Mr. Raul Joseph A. Concepcion, welcomed the stockholders to the Special Meeting. He explained that the Board decided to conduct the meeting in virtual format to broaden stakeholder engagement and allow more stockholders to participate. 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](mailto:investorrelations@cic.ph) and the questions would be read during the “Question and Answer” portion that will take place in “Other Matters” or Item 5 of the Agenda. The Chairman remarked that he will endeavor to answer questions received but should there be time constraints, the Company will subsequently provide answers through the investor relations portion of the Company’s website or directly communicate with the concerned shareholder should confidentiality restrictions apply.

The Chairman informed the stockholders that he was speaking from the corporate offices at Alabang, Muntinlupa City, together with the Corporate Secretary, Atty. Jayson L. Fernandez, the Chief Corporate Affairs Officer, Mr. Rafael C. Hechanova, Jr., the Chief Finance and Operating Officer, Mr. Rajan Komarasu, the Chief Strategy & Transformation Officer, Ms. Ma. Victoria A. Betita, and the Chief Compliance Officer, Omar C. Taccad. He then introduced the members of the Board of Directors and the other senior officers who were also present in the meeting. He also acknowledged the emeritus board members, Messrs. Raul T. Concepcion and Jose T. Concepcion, Jr.

The Corporate Secretary, Mr. Jayson L. Fernandez, recorded the minutes of the meeting.

### **I. 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 October 26, 2023. 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 October 26 and 27, 2023. 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 353,282,172 shares representing 88.78% 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 were also in attendance at the 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 November 11, 2023, or by forwarding his ballot to the office of the Corporate Secretary or via email to [cic.secretary@romulo.com](mailto: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 10:00 a.m, 353,282,172 issued and outstanding shares of the Company, or 88.78% 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.

## **II. APPROVAL OF AMENDMENTS TO THE BY LAWS**

The Chairman announced that the next item on the Agenda is a request for approval by the stockholders of the proposal to amend Article II and Article IV of the By Laws of the Company.

The Chairman explained that during the meeting of the Board of Directors on September 21, 2023, the Board approved the amendments to Sections 4, 6 and 7 of Article II and Sections 1, 4 and 5 of Article IV of the By Laws of the Corporation. The amendments will provide a better opportunity for stockholders to join meetings by allowing their attendance, participation and voting via remote communication or in absentia, and separate the roles and functions of the President and Chief Executive Officer to help ensure business continuity in critical issues including strategy, leadership, and culture as well as afford a more independent Board of Directors with a Chief Executive Officer not being part of the Board. The Board recommends to the stockholders the approval of the proposed amendments to Article II and Article IV of the By Laws of the Company.

The proposed amendments, which were listed in Item 17 of the Information Statement, were then presented on screen.

Considering that the Chair, representing more than 2/3 of the issued and outstanding shares of the Company voted in favor of this matter, the amendments to the By Laws as indicated in the Definitive Information Statement were approved. The tabulation of votes as validated by the third-party auditor was as follows:

	For	Against	Abstain
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Number of Voted Shares	316,063,740	0%	37,218,432
% of Voting Shares Present	79.4%	0%	9.3%

### **III. APPROVAL OF THE MINUTES OF THE SPECIAL MEETING OF THE STOCKHOLDERS HELD ON OCTOBER 26, 2022**

The Chairman stated that the next item on the Agenda was the approval of the Minutes of the Special Meeting of the Stockholders held on October 26, 2022, a copy of which was made available to the stockholders for their perusal at the Company's website since October 26, 2023.

Considering the Chairman, representing 353,282,172 issued and outstanding shares or 89% of the outstanding voting stock of the Company, voted in favor of this matter, the Minutes of the Special Meeting of the Stockholders held on October 26, 2022 were approved. The tabulation of votes as validated by the third-party auditor was as follows:

	For	Against	Abstain
Number of Voted Shares	353,282,172	0	0
% of Voting Shares Present	88.78%	0%	0%

### **IV. OTHER MATTERS**

The Chairman asked if there were questions or other matters which the shareholders wished to take up in the meeting.

Ms. Cabajar replied that there was none.

### **V. ADJOURNMENT**

There being no further business to discuss, the Chairman adjourned the meeting.

Considering that roughly 88.78% of the total outstanding capital stock were virtually present or represented and have voted in this meeting, all matters taken up by the stockholders during the Special Shareholders' Meeting were approved and carried. The Chairman then directed the Corporate Secretary to reflect the number of shares voting in favor of all matters taken up in the 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

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