COVER SHEET

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CROWN EQUITIES, INC.

(Company's Full Name)

CROWN CENTER 158 JUPITER
COR N. GARCIA ST. BEL
AIR MAKATI CITY

(Business Address : No. Street/City/Province)

ELMER B. SERRANO
Contact Person

(02) 687 1195
Company Telephone Number

1 2 **3 1**
Month *Day*
Fiscal Year

SEC Form 17-A
FORM TYPE

Every Fourth Tuesday of May
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2018**

2. SEC Identification Number: **39745** 3. BIR Tax Identification No.**: 002-837-461**

4. Exact name of registrant as specified in its charter: **CROWN EQUITIES, INC.**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **Crown Center, 158 N. Garcia corner Jupiter Street, Bel-Air, Makati City** **1209**
Address of principal office Postal Code

8. **(632) 899-0081, (632) 899-0455**
Registrant's telephone number, including area code

9. **Not applicable**
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 Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	**13,599,999,960 shares**

11. Are any or all of these securities listed on the Philippine Stock Exchange.

Yes [**X**] No [ ]

12. Check whether the registrant:

(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 Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱1,721,595,115.81

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Crown Equities, Inc. (CEI or the Corporation) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 24, 1969 as Leyte Base Metal Corporation. On May 22, 1995, the stockholders approved the strategic shift in the Corporation's primary business activity to investment holding. The Corporation started its healthcare business by operating its ambulatory care clinic in Makati City in 1997 and in Sta. Rosa, Laguna in 1998. Also in 1998, the Corporation started the development of a property in Biñan, Laguna into a middle-class residential subdivision called Palma Real. The following year, the Corporation acquired a significant interest in a toll road project, which was eventually divested in 2005. In 2003, by virtue of an agreement with Sta. Lucia Realty and Development, Inc., development of the Palma Real project was pursued. Marketing and sales started in 2004.

The Corporation started the development of Cypress Towers, a mid-rise residential condominium project in joint venture with DM Consunji Inc. in 2005. By 2007, the Cypress Towers started marketing and selling condominium units. The cash flows from Palma Real and Cypress Towers projects, coupled with the proceeds from the divestment of the toll road project, allowed the Corporation to start construction in 2009 of its own office building called Crown Center, the corporate offices of the Corporation and FortMed Clinics. In 2010, the Corporation started leasing out excess office spaces of Crown Center. In the same year, the two FortMed Clinics were merged to achieve operational efficiencies.

The Corporation did not make any significant business acquisition during the past three years. Its major investments are still in the healthcare and in real estate businesses, the latter via joint venture with major companies in the industry. However, its land bank continues to appreciate in value.

(2) Business of Issuer

The Corporation is a Filipino-owned publicly-listed investment holding corporation. Through its subsidiaries, the Corporation acquires various real estate properties to be developed into commercial, industrial, residential, or mixed-use areas. The Corporation also has investments in healthcare business particularly in two medical ambulatory care clinics.

The subsidiaries of the Corporation that are already in operation are Healthcare Systems of Asia Philippines, Inc., through its subsidiary FortMed Medical Clinics Makati Inc.,and Crown Central Properties Corporation. Parkfield Land Holdings, Inc. is still in the pre-operating stage.

The Corporation's main business is the acquisition, development and sale of real estate properties, either through its own subsidiaries or through tie-ups with major real estate and property development companies in the field. The Corporation markets the real estate properties either through its in-house marketing group or through third party brokers and agents. The Corporation also delivers medical and health services to outpatients through its ambulatory care centers. Lease of office spaces and equipment also contributes to the revenues of the Corporation. All of the Corporation's revenues are generated domestically.

Competition in the property development business has increased in prior years due to the increasing interest in high-rise residential condominiums and the growing business process outsourcing (BPO) market. There are also several players in the industry competing for developments in prime areas. Historically, the industry has been led by highly-capitalized firms. Although these companies have been leading the industry, the Corporation has been focusing on residential development through its niche markets. The Corporation aims to continue developing real estate where opportunities for growth are identified. At present, the location and price of the residential units offered by the Corporation give it an edge in the competition.

Property development businesses involve significant risks including the risks that construction may not be completed on schedule or within the allocated budget; and that such projects may not achieve the anticipated sales. In addition, real estate development projects typically require substantial capital expenditure during construction and it may take years before the projects generate cash flows.

Increasing threat from competition has been the main risk in the healthcare business. Growth in the number of healthcare providers delivering similar services has been reducing profits across companies. Moreover, the business is characterized by substantial recurring capital expenditure for medical technology in order to provide a comprehensive healthcare service. However, being a basic necessity, the healthcare business could likewise provide sustainable revenues.

As a business in the real estate and health care services, the Corporation does not rely on a few customers ensuring the continuity of revenue streams for the company. Furthermore, the Corporation does not also rely on a limited number of suppliers in providing products and services that may contribute to risks of non-performance of the Corporation. The Corporation also does not have any major supply contracts.

The Corporation does not have any patents, trademarks, copyrights, licenses, franchises, concessions, or royalty agreements held. As it currently stands, there are no government regulations specifically covering the Corporation's business. There is a possibility that the government may impose certain regulations which may include securing special permits, imposing regulatory fees and controls over the Corporation's products and services but these types of regulations would not be a hindrance to the Corporation's business. Furthermore, the costs incurred for purposes of complying with environmental laws consist primarily of payments for mandated fees for the issuance of business permits which are standard in the industry and is minimal.

The Corporation did not spend significant amount on developmental activities during the last three (3) fiscal years.

The Corporation currently employs 143 officers and staff, including 106 medical and administrative staff in the healthcare operations. There is no existing Collective Bargaining Agreement between the Corporation and its employees. There are no supplemental benefits or incentive arrangements with the employees, aside from those provided by law.

a. *Real Estate and Property Development*

1. Crown Equities, Inc.

The Cypress Tower is a residential condominium complex composed of three buildings: the Altiva Tower, the Belmira Tower, and the Celesta Tower. Residents enjoy a good view of the Laguna Lake to the east as well as the Manila Bay to the west. The Cypress Tower boasts of its perfect accessibility from either the north or the south of Metro Manila via the Circumferential Road 5.

The Corporation also owns over 30 hectares of real estate property in Sto. Tomas, Batangas. Some of the properties are still in the process of titling. The properties are mostly located in Brgy. San Miguel, Sto. Tomas, Batangas, about 56 kilometers from the central business district of Makati City. It is accessible by any land transport from Manila via the South Luzon Expressway and the Maharlika highway.

For the year ended December 31, 2018, the Corporation generated aggregate revenue of ₱95.2 million, mainly from recognized sale of real estate units and from lease of office space.

2. Crown Central Properties Corporation

Crown Central Properties Corporation (CCPC) was incorporated on September 3, 1996 as a joint venture between the Corporation and Solid Share Holdings, Inc., now Federal Land, Inc., an affiliate of a major banking group. In October 2003, CCPC entered into a Memorandum of Agreement (MOA) with Sta. Lucia Realty and Development, Inc. whereby the former shall contribute land and its improvements while the latter shall be responsible for completing the development of a subdivision project. The agreement called for a 60%-40% sharing of revenues in favor of CCPC. The project was completed and marketing is in progress.

The subdivision, named Palma Real Residential Estates, is strategically located near the boundary of Sta. Rosa and Biñan, in the province of Laguna, a few minutes away from educational institutions in the area such as Don Bosco and De La Salle University. Among residential subdivisions in its class, Palma Real is one of those nearest to these educational institutions. Although competition is considered tight given the number of residential subdivisions within its five-kilometer radius, Palma Real enjoys considerable advantage given its proximity to the schools, the industrial park, the booming commercial district in the area, and access via the Mamplasan exit of the South Luzon Expressway connecting to the Sta. Rosa-Tagaytay highway. The project will enjoy proximity to the proposed Cavite-Laguna Expressway (CALAX).

CCPC contributed 35% to the total revenue of the Corporation in 2018 having aggregate revenue of ₱81.7 million from Palma Real Residential Estates sales.

3. Parkfield Land Holdings, Inc.

Parkfield Land Holdings, Inc. (PLHI), a 75%-owned subsidiary of the Corporation, was incorporated on April 11, 2001 primarily to acquire, develop, and sell real estate properties. PLHI owns 92 hectares of land located in San Jose del Monte, Bulacan.

PLHI has not started its commercial operations and has no significant business developments involving the properties. PLHI does not intend to develop its properties within the next twelve months.

b. ***Healthcare***

1. **Healthcare System of Asia Phils., Inc.**

Healthcare System of Asia, Phils. (HSAPI), Inc. was established on July 26, 1996 to deliver medical and health care services and healthcare systems, in general. Presently, HSAPI has two operational ambulatory care clinics: the FortMED Medical Clinics – Makati, which started operations in 1997, and FortMED Medical Clinics – Sta. Rosa, which started operations in 1998.

The two FortMED Clinics provide a wide range of medical services at reasonable prices. These clinics house diagnostic and ambulatory treatment apparatus including ultrasound machines and modern laboratory equipment. The clinic offers cardio-pulmonary testing, radiologic procedures, laboratory blood chemistry and hematology, and sub-specialist consultation.

Competition in this type of business is generally dictated by factors such as the reputation of doctors associated with and actually practicing in the clinic, availability of highly effective facilities, and quality of professional health service. Location and accessibility are also critical competitive factors in this industry.

FortMED-Makati is strategically located within the vicinity of Bel-Air Village, which is easily accessible to both residents and employees in the Makati business district, while FortMED-Sta. Rosa is in Greenfield Business Park, Sta. Rosa, a booming commercial district in the vicinity of a light industrial park which is home to multinational companies.

The clinic offers a patient-centered professional service, minimal queuing, day surgeries, a faster generation of results through its proprietary Management Information System and computerized processes, and a shuttle service in Sta Rosa for the convenience of its patients. The clinic also provides private duty nurses to address the need for professional health care in patient's own home.

The FortMED Clinics are accredited by the Department of Health (DOH). Necessary licenses have been secured from the DOH to operate the different x-ray facilities of the clinics, while the laboratory facilities are also licensed by the Dangerous Drug Board (DDB). License to operate is secured from the Bureau of Food and Drugs of the DOH anually.

The unique focus of medical practice at FortMED is to assist the patient and family in obtaining comprehensive interdisciplinary health care that is both accessible and acceptable. The concepts of patient participation, patient education, health promotion and illness prevention are basic parts of the integrated treatment plan. The professional staff recognizes the importance of technological and cultural dimensions of health and their influences on the individual, families, and communities serviced. The physicians also recognize their responsibility to respect each patient without bias, assisting the patient to make sound decisions about their health care.

FortMED Clinics generated aggregate revenue of ₱79.1 million in 2018.

(3) **Related party transactions**

Transactions with related parties are made on arms-length basis in a manner similar to transactions with non-related parties. CEI Group's significant transactions and accounts balances with related parties as of December 31, 2018 are as follows:

Name of Company	Relationship	Nature of Transaction	2018
Federal Land, Inc.	Stockholder	Due to related parties	₱ 14,019,237

CCPC declared cash dividends to its stockholders as at December 31, 2018.

(4) **Risks Relating to Business**

Risk management rests on the Board of Directors who is responsible for establishing and maintaining a sound risk management system. The Board of Directors assumes oversight over the entire risk management process. The CEI Group has exposure to the following financial risks:

a. Credit Risk

Credit risk is a risk of financial loss to the CEI Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the CEI Group's receivables. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position.

As of December 31, 2018, there were no significant concentrations of credit risk.

b. Liquidity Risk

CEI Group has exposure to liquidity risk, which pertains to the risk that the CEI Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The CEI Group's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible costs; and (d) to maintain an adequate time spread of refinancing maturities.

c. Market Risk

Market risk is the risk that changes in market prices will affect the values of the CEI Group's holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

The CEI Group's market risk is limited to its investments carried at fair value through profit or loss and AFS financial assets. The CEI Group manages its risk arising from changes in value of investments carried at fair value through profit of loss by monitoring the changes in the market price of the investments.

Item 2. Properties

The Corporation owns a real estate property located at the corner of Jupiter and N. Garcia Streets in Makati City where the Crown Center, a five-storey office building stands as the main office of the Corporation and its subsidiaries. Crown Center also houses other tenants.

The Corporation indirectly owns the FortMED Clinic Building, a two-storey building located in Greenfield Business Park, Santa Rosa, Laguna, which houses FortMED-Santa Rosa and other tenants.

The investment properties of the Corporation include a 4,907-square meter of prime property in Greenfield Business Park where the FortMED Clinic Building now stands, over five hectares of land in Taguig City, Metro Manila, over 30 hectares of land in Santo Tomas, Batangas, and a 92-hectare land in San Jose Del Monte, Bulacan. However, no major land developments are being done on these properties.

The Corporation does not lease from other parties real properties it uses for its business and operations.

Some of the properties owned by certain subsidiaries of the Corporation are still in the process of titling and are free from liens or mortgages. Except where there is very good opportunity, the Corporation does not intend to acquire any other property in the next twelve months other than to complete the consolidation of its existing land bank.

Item 3. Legal Proceedings

In the ordinary course of business, CEI Group has pending legal proceedings, which are in various stages with the courts and relevant third parties. Management believes that the bases of the CEI Group's position are legally valid and the ultimate resolution of these proceedings would not have a material effect on CEI Group's financial position and results of operations. On the basis of the information furnished by its legal counsel, management believes that none of these contingencies will materially affect the CEI Group's financial position and financial performance.

Item 4. Submission of Matters to a Vote of Security Holders

There is no matter submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

The Corporation's securities are traded only in the Philippine Stock Exchange (PSE) and no market for the shares is expected to be developed outside the Philippines. For the last two years, the highs and lows of stock market closing prices for CEI's equity shares are as follows:

		HIGH	LOW
2019	January – March	0.270	0.233
2018	October – December	0.255	0.206
	July – September	0.260	0.207
	April – June	0.300	0.203
	January – March	0.330	0.217
2017	October – December	0.230	0.200
	July – September	0.270	0.180
	April – June	0.210	0.150
	January – March	0.198	0.154

As of December 28, 2018, the closing price of the Corporation's common shares was P0.235 per share.

(2) Holders

There were 365 shareholders of CEI as of December 31, 2018. The top 20 stockholders on record as of December 31, 2018 are as follows:

	NAME	CITIZENSHIP	TOTAL SHARES	%
1	PCD NOMINEE CORP.	Filipino / Others	12,595,332,496	92.6127
2	TONG, MARIE LOUISE Y.	Filipino	223,550,000	1.6438
3	TONG, ROBIN Y.	Filipino	223,550,000	1.6438
4	TONG, WELLINGTON Y.	Filipino	223,550,000	1.6438
5	RIEZA, RENE DANIEL S.	Filipino	80,000,000	0.5882
6	DAVID GO SECURITIES, CORP.	Filipino	28,000,000	0.2059
7	GCV MANAGEMENT & CONSULTING CORPORATION	Filipino	21,896,000	0.1610
8	ACUNA, EMMANUEL E.	Filipino	18,376,000	0.1351
9	LINCO, ALBERTO A.	Filipino	15,905,440	0.1170
10	TRANS-ASIA SECURITIES, INC.	Filipino	12,868,000	0.0946
11	LAY, ELLEN	Filipino	12,000,000	0.0882
12	PINPIN, ELISA T.	Filipino	12,000,000	0.0882
13	ALCANTARA, EDITHA	Filipino	8,000,000	0.0588
14	ONG, RODERICK PHILIP	Filipino	8,000,000	0.0588
15	KATSUTOSHI, SHIMIZU	Filipino	5,600,000	0.0412
16	ONGSIAKO, MARGARITA	Filipino	4,944,000	0.0364
17	LEE II, ANTHONY PETER BRYAN TIONG	Filipino	4,800,000	0.0353
18	GO, GEORGE L.	Filipino	4,000,800	0.0294
19	PO, ALFONSO L. &/OR LETTY PO	Filipino	4,000,000	0.0294
20	REYES, MICHAEL	Filipino	4,000,000	0.0294

As of December 31, 2018, the number of common shares owned and held by non-Philippine nationals is 125,131,000.

(3) Dividends

(a) No dividends have been declared on common shares from 2015 to 2018.

(b) There are no restrictions that limit the ability of the Corporation to pay dividends on common equity and no such restriction is expected to arise in the future.

(4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

The Corporation did not sell nor offer for sale any unregistered or exempt securities including issuance of securities constituting an exempt transaction for the last three (3) years.

Item 6. Management's Discussion and Analysis

The Corporation has adopted all the relevant Philippine Financial Reporting Standards (PFRS) in its financial statements. The Corporation's financial statements for 2018 and the comparatives presented for 2017 and 2016 comply with all presentation and disclosure requirements.

Management's discussion of the Corporation's financial condition and results of operation presented below should be read in conjunction with the attached audited consolidated financial statements of the Corporation and its subsidiaries.

The Corporation is not aware of any events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the Corporation with unconsolidated entities or other persons created during the recent fiscal year.

As of the date of this report, the Corporation has no material commitment for capital expenditure. Management is not aware of any trends, event or uncertainties that have or will have material impact on net sales or revenues or income from continuing operations neither of its operating subsidiaries nor any seasonal aspects that a material effect on the financial condition or results of operation of the Corporation.

(1) Changes in Financial Position and Results of Operation

Calendar Year Ended December 31, 2018 and 2017

Financial Position and Changes in Financial Position

Total assets posted an increase of ₱297.7 million or 14% primarily attributable to the growth in non-current assets by ₱318.7 million or 29%. In contrast, current assets dropped by ₱21.0 million or 2% mainly driven by the sale of asset held for sale.

Total current assets declined by ₱21.0 million, or 2% lower than the ₱1.0 billion as of December 31, 2017. Cash went up by ₱239.1 million or 90% primarily coming from the proceeds from sale of investment in Sky Leisure Properties as reduced by the cost of the acquisition of investment property in Taguig City. Investment in quoted shares also increased by ₱66.5 million or 99% resulting from the additional investment in the equities market. The increase in recognized sales resulted in a decrease in inventories by ₱24.01 million or 14%. Receivables increased by ₱65.0 million or 80% primarily as the Company granted a loan facility to Bluestock Development Holding, Inc. Other current assets, on the other hand, decreased by ₱12.9 million or 19.8% due to the utilization of tax assets during the period.

Total noncurrent assets increased by ₱318.7 million primarily due to the acquisition of real properties in Taguig City. Out of the total ₱1.4 billion non-current assets, ₱995 million pertains to investment properties consisting of properties in Batangas, Bulacan, and Taguig which have higher market values but recorded at cost.

From ₱251.8 million as of December 31, 2017, total liabilities recorded an increase of ₱21.6 million to ₱273.4 million mainly attributable to the increase in customers' deposits, liabilities to suppliers, to contractors and other liabilities of which ₱154 million represent customers' deposits, closing fees, doctors' fees, trade liabilities, and accrued liabilities related to property acquisitions.

Total equity increased by ₱276.1 million to ₱2.1 billion as of December 31, 2018 as against ₱ 1.9 billion as of December 31, 2017, essentially due to the net income posted during the period. Total equity attributable to equity holders of the parent company amounted to ₱2.0 billion.

Results of Operation

For the year ending December 31, 2018 the Corporation generated a total revenue of ₱233.4 million, ₱114.9 million of which came from realized real estate sales. Total costs and expenses amounted to ₱259.6 million while net other charges amounted to ₱11.0 million. There was a net gain on the sale of investment amounting to ₱318 million resulting to a net income after-tax of ₱285.1 million. The net income in 2018 is higher by ₱156.3 million compared to the ₱128.8 million net income in 2017.

The Parent Company and real estate subsidiaries generated a total revenue of ₱176.9 million of which ₱114.9 million came from realized real estate sales. Total revenue increased by 39% from the ₱168.5 million reported in 2017. In 2017, real estate sales recognized from projects increased by 65% from ₱69.4 million in 2016.

Meanwhile, the healthcare subsidiary reported a ₱79.1 million gross revenue which is 11%

higher than the 2017 levels.

Total costs and expenses for the year increased to ₱259.6 million due to an increase in cost of sales and operating expenses. Net other charges was at ₱11.0 million in 2018 primarily from provisions for impairment in value of investment property. This eventually led to a net income after tax of ₱285.1 million, which is higher than the ₱128.8 million net income after tax for 2017.

Calendar Year Ended December 31, 2017 and 2016

Financial Position and Changes in Financial Position

Total assets posted an increase of ₱139 million or 7% primarily attributable to the reversal of impairment of investments. As of year end 2017, total assets of the Corporation stood at ₱ 2.11 billion.

Total current assets increased to ₱976.4 million, or 62% higher than the ₱602.3 million as of December 31, 2016. Investment in quoted shares increased by ₱25 million or 60% due to improvement in the equities market. The current portion of the installment contract receivable decreased by ₱535 thousand due to the collection of sales from Cypress and Palma Real. The periodic recognition of sales resulted in a decrease in inventories by ₱5.9 million or 3%. Receivables decreased by ₱17.9 million or 24% as receivables are collected from venture partners. Other current assets, on the other hand, increased by ₱5.4million or 9% due to increase in tax assets during the period. Moreover, investments and advances to joint venture was reclassified to asset held for sale, constituting ₱361 million of the increase in current assets.

Total noncurrent assets decreased by ₱235 million primarily due to the reclassification of Investment in Sky Leisure Properties, Inc. (SLPI). Out of the total ₱1.14 billion non-current assets, ₱698 million pertains to investment properties consisting of properties in Batangas, Bulacan, and Taguig which have higher market values but recorded at cost.

From ₱226.9 million as of December 31, 2016, total liabilities recorded an increase of ₱24.8 million to ₱251 million mainly attributable to the increase in liabilities to suppliers, to contractors and other liabilities of which ₱151 million represent customers' deposits, closing fees, doctors' fees, trade liabilities, and accrued liabilities related to property acquisitions. Due to related parties pertain to liabilities to our joint venture partner in CCPC.

Total equity increased by ₱114 million to ₱1.86 billion as of December 31, 2017 as against ₱ 1.75 billion as of December 31, 2016, essentially due to the net income posted during the period. Total equity attributable to equity holders of the parent company amounted to ₱1.71 billion.

Results of Operation

For the year ending December 31, 2017 the Corporation generated a total revenue of ₱168.5 million, ₱69.4 million of which came from realized real estate sales. Total costs and expenses amounted to ₱186.1 million while net other income amounted to ₱154.2 million resulting to a net income after-tax of ₱128.8 million. The net income in 2017 is higher by ₱116 million compared to the ₱12.73 million net income in 2016.

The Parent Company and real estate subsidiaries generated a total revenue of ₱96.4 million of which ₱69.4 million came from realized real estate sales. Total revenue increased by 6% from the ₱158.9 million reported in 2016. In 2017, real estate sales recognized from projects increased by 14% from ₱61.1 million in 2016.

Meanwhile, the healthcare subsidiary reported a ₱71.3 million gross revenue which is almost 5% higher than the 2016 levels.

Total costs and expenses for the year increased by 24% to ₱186.1 million due to an increase in operating expenses. Net other income was at ₱154.2 million in 2017 primarily from the reversal of impairment losses in investment in SLPI. This eventually led to a net income after tax of ₱128.8 million as against a ₱12.73 million net income after tax for 2016.

Calendar Year Ended December 31, 2016 and 2015

Financial Position and Changes in Financial Position

Total assets posted an increase of ₱34.9 million or 2% primarily attributable to the growth in current assets by ₱80.9 million or 15%. The increase in current assets was mainly driven by cash and receivables. In contrast, noncurrent assets dropped by ₱46.1 million or 3% due to depreciation and full settlement of loan during the period.

Total current assets increased to ₱636.3 million, ₱80.97 million or 15% higher than the ₱555.3 million as of December 31, 2015. Cash went up by ₱63.8 million or 31% primarily due to collection of loans from Platinum 168 and the termination of investments in BC Net. Financial assets through profit or loss also increased by ₱10 million or 32% due to improvement in the equities market. The current portion of the installment contract receivable decreased by ₱3.4 million or 19% due to the collection of sales from Cypress and Palma Real. The periodic recognition of sales resulted in a decrease in inventories by ₱7.9 million or 4%. Receivables increased by ₱29.8 million or 65% translating to an increase in the receivables from venture partners. Other current assets, on the other hand, increased by ₱1.1 million or 2% due to creditable withholding and input taxes during the period.

Total noncurrent assets declined by P46 million primarily due to the collection of non-current portion of the loans receivable and investments in a business venture during the year. Loans to Platinum 168 was fully settled during the year resulting to a decrease in loans receivables to P10 million from the previously recorded P45.8 million. Likewise property and equipment posted a decrease of ₱7.0 million to ₱270.5 million as of December 31, 2016 due to depreciation charges during the period. Out of the total ₱1.34 billion non-current assets, ₱697.0 million pertains to investment properties consisting of properties in Batangas, Bulacan, and Taguig which have higher market values but recorded at cost.

From ₱205.7 million as of December 31, 2015, total liabilities recorded an increase of ₱21.2 million to ₱226.9 million or 10% increase mainly attributable to the increase in liabilities to suppliers, to contractors and other liabilities of which ₱156.0 million represent customers' deposits, closing fees, doctors' fees, trade liabilities, and accrued liabilities related to property acquisitions. Due to related parties pertain to the advances of our joint venture partner in Palma Real.

Finally, total equity increased by ₱13.6 million or to ₱1.75 billion as of December 31, 2016 as against ₱1.73 billion as of December 31, 2015. This is essentially due to the net income posted during the period.

Results of Operation

For the year ending December 31, 2016 the Corporation generated a total revenue of ₱158.9 million, ₱61.1 million of which came from realized real estate sales. Total costs and expenses amounted to ₱150.2 million resulting to an ₱8.7 million operating income. Other income amounted to ₱10.2 million while net income after-tax amounted to ₱12.7 million compared to a ₱12.3 million net income in 2015.

The Parent Company and real estate subsidiaries generated a total revenue of ₱91.2 million of which ₱61.1 million came from realized real estate sales. Total revenue is down by 24% from the ₱192 million total revenue in 2015 which included sale of 3 lots in Sto. Tomas, Batangas amounting to ₱36.8 million. In 2016, real estate sales recognized from projects was down by 48% from ₱116.9 million in 2015. Lot units recognized during the period was 10 units lesser than those recognized in 2015 while the houses recognized sold during the period was 11 units less. There was one unit from Cypress recognized in 2015 and none in 2016.

Meanwhile, the healthcare subsidiary reported a ₱67.7 million gross revenue which is almost 15% higher than the 2015 levels.

Total costs and expenses for the year was down by 27% to ₱150.2 million due to lower cost of real estate sales and the related commission expense. This resulted to an operating income of ₱8.67 million compared to a ₱11.2 million operating income in 2015. Net other income was at ₱10.3 million in 2016 primarily from the settlement of BCNet investments where penalties were imposed. This eventually led to a net income after tax of ₱12.7 million as against a ₱12.3 million net income after tax for 2015.

Key Performance Indicators

The Corporation measures its performance based on the utilization of assets and the return on its investments.

Indicator	**As of**			**Formula**
	Dec 2018	**Dec 2017**	**Dec 2016**	
Current Ratio	4.01x	2.58x	2.98x	$\frac{Current\ Assets}{Current\ Liabilities}$
Cash Ratio	2.04x	1.11x	1.25x	$\frac{Cash\ and\ Cash\ equivalents}{Current\ Liabilities}$
Debt-Equity Ratio	0.13x	0.14x	0.13x	$\frac{Total\ Liabilities}{Total\ Equity}$
Debt-Asset Ratio	0.11x	0.12x	0.11x	$\frac{Total\ Liabilities}{Total\ Assets}$
Asset-Equity Ratio	1.13x	1.14x	1.13x	$\frac{Total\ Asset}{Total\ Equity}$
Interest Coverage Ratio	Nil	Nil	Nil	$\frac{Earnings\ before\ Interest\ and\ Taxes}{Interest\ Expense}$
Net Income Margin	122.18%	84.94%	8.85%	$\frac{Net\ Income}{Net\ Revenues}$

Investment Ratio	0.41x	0.33x	0.47x	$\frac{\text{Total Investment and Advances}}{\text{Total Asset}}$
Return on Assets	12.61%	6.30%	0.65%	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Earnings Per Share	0.01983	0.00889	0.00077	$\frac{\text{Net Income after Minority Interest}}{\text{Total Shares Subscribed}}$

Liquidity

Current ratio increased to 4.01x as of December 31, 2018 compared to 2.58x as of December 31, 2017. In spite of the increase in total current liabilities, cash ratio increased to 2.04x as of December 31, 2018 from 1.11x as of December 31, 2017, due to the huge increase in cash balance.

Current ratio decreased to 4.30x as of December 31, 2017 compared to 2.82x as of December 31, 2016 as current liabilities increased by 2017 Cash ratio likewise decreased to 1.11x as of December 31, 2017 from 1.25x as of December 31, 2016.

Current ratio improved to 2.82x as of December 31, 2016 compared to 2.87x as of December 31, 2015 as cash levels increased resulting from full collection of loans receivable. Cash ratio likewise increased to 1.25x as of December 31, 2016 from 1.05x as of December 31, 2015.

Solvency/Leverage

The debt equity ratio decreased to 0.13x as of December 31, 2018 compared to .14x as of December 31, 2017. Debt-asset ratio also decreased to 0.11x compare to 0.12x as of December 31, 2017. Similarly, asset-equity ratio decreased to 1.13x as of December 31, 2018. The Company has nil interest coverage ratio as it has zero loans and therefore no interest expense was realized in 2018 and 2017.

The debt equity ratio increased to 0.14x as of December 31, 2017 compared to .13x as of December 31, 2016. Whereas, debt-asset ratio slightly increased to 0.12x from 0.11x as of December 31, 2016 and asset-equity ratio also increased to 1.14x as of December 31, 2017. The Company has a nil interest coverage ratio as it has zero loans and therefore no interest expense was realized in 2017 and 2016.

Investment Ratio

Continued competence of the Corporation's investments made investment ratio of 0.41x and 0.33x, as of December 31, 2018 and December 31, 2017 respectively. There was a significant acquisition of investment property in Taguig and an increase in cost for the full settlement of property in Batangas during the period.

Investment ratio decreased to 0.33x as of December 31, 2017 from 0.47x as of December 31, 2016 due to the reclassification of investment to asset held for sale. There has neither been a significant acquisition nor sale of investment property during the period.

Profitability

There was a substantial improvement in the net income margin at 122.18% in 2018 compared to 84.94% in 2017 due to the sale of investment in associate.

A substantial improvement in the net income margin was registered at 84.94% in 2017 compared to 8.85% in 2016 due to reversal of impairment of investment in associate.

Return on Assets

Return on assets increased to 12.61% as of December 31, 2018 from 6.30% as of December 31, 2017.

A significant increase in net income as of December 31, 2017 resulted to a higher return on assets at 6.30% from 0.65% as of December 31, 2016.

Earnings Per Share

As a result of the increase in the Company's profitability for the year ended December 31, 2018, income per share is higher at ₱0.01983 compared to ₱0.00889 as of December 31, 2017.
The Company's number of outstanding shares has been fixed for the past five years.

Earnings per share substantially increased to ₱0.00889 as of December 31, 2017 from ₱ 0.00077 as of December 31, 2016.

(i) Past and Future Financial Condition with Particular Emphasis on the Prospects for the Future

The Corporation continues to generate revenues from its real estate projects, particularly Cypress Towers and Palma Real Residential Estates. Aggregate revenue of real estate sales amounted to ₱114.9 million. The healthcare business also generated ₱79.1 million during the year from the previous year's ₱71.3 million.

The Palma Real Residential Estates is expected to continue selling. The project continues to market house and lot packages intended to promote community build-up. The project generated P114.9 million revenues in 2018 accounting for 49% of total revenue. Future sales are still expected to improve as Palma Real is now accessible both from the Sta. Rosa-Tagaytay road and from the Mamplasan exit of the South Luzon Expressway. Moreover, the project is seen to benefit from the booming Sta. Rosa residential market and the upcoming construction of Cavite-Laguna Expressway.

The Corporation foresees a satisfactory business outcome in the coming year. It has no known trends, demands, commitments, events or uncertainties in the present operations of the Company that is likely to result in the Company's liquidity increasing or decreasing in any material way. It is not aware of any events that will trigger direct or contingent financial obligation that is material to the company, including any default or breach of any note, loan, lease, or other indebtedness or other financing arrangements requiring to make payments. Furthermore, there is no significant amount in trade payables that has not been paid within the stated trade terms. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

As of this report, the Company has no material commitment for capital expenditure. Management is not aware of any trends, events or uncertainties that have or will have material impact on net sales or revenues or income from continuing operations neither of its operating subsidiaries nor of any seasonal aspects that had a material effect on the financial condition or results of operation of the Company.

The Corporation and its subsidiaries have neither issued nor invested in any financial instruments or complex securities that will make them susceptible to the effects of any global financial condition. They have neither foreign currency denominated nor local peso denominated loans. The Corporation's financial risk exposure is limited to its investments in the equities market reported as "Investment in quoted shares" in its balance sheet. But this exposure is insignificant compared to the Corporation's total asset base. Moreover, these investments are always marked to market thus reflecting the most verifiable values available. The Corporation's risk management policies are religiously observed and fair values of investments are reviewed by the
Executive Committee on a weekly basis.

Item 7. Financial Statements

The audited financial statements of the Corporation are included in this report as Annex A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Corporation engaged the auditing firm, Reyes Tacandong & Co. to handle the independent audit of the Corporation for 2018 and is also being considered to handle the independent audit of the Corporation for year 2019. R.G. Manabat & Co. previously handled the independent audit of the Corporation from 2015-2017. There were no disagreements with the independent auditor on accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

For the audit of the Corporation's financial statements, the aggregate fee billed by the independent auditors was P1.0 million in 2018 and P1.08 million in 2017. There were no other professional fees billed by the independent auditors during the year. The Audit Committee reviews all proposals for services to be rendered by the independent auditor. In the last two (2) years, the Corporation did not engage the independent public accountants for any services other than the regular conduct of independent audit of the year-end financial statements.

The members of the Audit Committee are as follows:

Mr. Ramon A. Recto – Chairman
Mr. Rolfo B. Fernandez – Member
Mr. Conrado G. Marty - Member

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Corporation

a. Directors and Executive Officers

George L. Go 77 years old, Filipino, is presently the Chairman of the Board of Directors of the Corporation. He has been a Director of the Corporation since 1995 and was elected

Chairman of the Nominations Committee in May 2011. He is also a Member of the Executive Committee and the Compensation and Remuneration Committee. Mr. Go is also the Chairman of Healthcare Systems of Asia Philippines, Inc. and Asian Alliance Holdings. Mr. Go is also a Director of Asian Alliance Investment Corporation. He has held the foregoing positions within the last five years. Mr. Go earned his bachelor's degree in Economics from Youngtown University, U.S.A and completed an Advanced Management Program in Harvard Business School, U.S.A.

Wilfrido V. Vergara 74 years old, Filipino, has been the Vice Chairman of the Board of Directors of the Corporation since May 2002 and was elected Chairman of the Executive Committee in May 2011. Mr. W.V. Vergara is the Vice Chairman of Fortmed Medical Clinics Makati, Inc. and Healthcare Systems Asia Philippines, Inc. He is also a Director of Parkfield Landholdings Corp. Mr. Vergara obtained his Bachelor's Degree in Economics from the Ateneo de Manila Univeristy.

Ramon A. Recto 86 years old, Filipino, has been an Independent Director of the Corporation since May 2002. He has been a Member of the Audit Committee and the Nominations Committee since May 2003. Mr. Recto was the President of Marcventures Holdings, Inc. and Lepanto Consolidated Mining Corporation. Mr. Recto obtained both of his Bachelor's Degrees in Electrical Engineering and in Mechanical Engineering from the University of the Philippines. He also earned his Master's Degree in Industrial Management from the same University.

Antonio B. Alvarez 75 years old, Filipino has been a member of the Board of Director's since 1995 and the Treasurer of the Corporation since 1997. He has also been a member of the Executive Committee, the Nomination Committee and of the Compensation and Remuneration Committee since May 2003. Mr. Alvarez is the Director and President of Healthcare Systems of Asia Philippines, Inc. and Fortmed Medical Clinics Makati, Inc. He is also a Director of Parkfield Landholdings, Corp., Prior to becoming the President/Nominee of Guild Securities, Inc. from1979 to present. Mr. Alvarez was the Executive Vice President of Securities Specialists, Inc. He obtained Bachelor of Science in Commerce Major in Accounting from Far Eastern University.

Conrado G. Marty 73 years old, Filipino, has been a member of the Board of Directors of the Corporation since 2006. Mr. Marty is also a member of the Audit Committee of the Corporation. He is the President of Universal LMS Finance and Leasing Corporation and is also the Vice Chairman of Hyundai Asia Resources, Inc. Mr. Marty holds a Bachelor in Business Administration Major in Accounting from University of the East and is a Certified Public Accountant. He obtained his Master in Business Administration major in Finance from the Wharton School, University of Pennsylvania.

Mr. Patrick D. Go, 51 years old, Filipino, has been a Director of the Corporation since 1995 and the Compliance Officer since 2008. Mr. Go is also the Managing Director of Healthcare Systems of Asia Phils., Inc. since August 2009 and in June 2010 became the Managing Director of FortMED Medical Clinics Makati, Inc. Prior to that, Mr. Go is a graduate of San Francisco State University, U.S.A. in 1992 with a Bachelor of Science in both Finance and Real Estate. He is the son of Mr. George L. Go.

Mr. Eugene B. Macalalag, 51 years old, Filipino, has been a member of the Board of Directors of the Corporation since May 2003. He is the First Vice President of the Corporation. Mr. Macalalag is a Director and Treasurer of Healthcare Systems of Asia Philippines, Inc. and FortMED Medical Clinics Makati, Inc. He is also the President of

Parkfield Landholdings, Inc. and Crown Central Properties Corp. He joined Crown Equities, Inc., in April 1996. Mr. Macalalag earned his master's degree in Business Administration from De La Salle University, Manila.

Mr. David O. Chua, 51 years old, Filipino, has been a member of the Board of Directors of the Corporation since 2007. He is the President of Cathay Pacific Steel Corporation and Asia Pacific Capital Equities and Securities Corporation. He is currently a Director of the Philippines Stock Exchange, Hardware Foundation of the Phils., and Galleria Corporate Center Condominium Corp. He is also an Advisory Board Member of Metropolitan Bank and Trust Company and Vice President of the Federation of the Filipino Chinese Chambers of Commerce and Industry, Inc. He is a Trustee of University of the East and University of the East Ramon Magsaysay Memorial Medical Center. He has held the positions for the last five years. Mr. Chua is also the President of the Philippine Steelmakers Association, Chairman of the 2011 Philippine Business Conference Philippine Chamber of Commerce and Industry, and was the President of the Kellogg/ Northwestern University Alumni Association of the Philippines. He was formerly a Director of The Philippine Stock Exchange (PSE), Philippine Savings Bank (PSB), First Metro Investments Corp., and the Chairman of the Philippine Institute of Quezon City (PIQC) and the National Employer's Conference of the Employers' Confederation of the Philippines (ECPO). Mr. Chua has a Bachelor of Science in Financial Services Management, Honors Degree from St. Mary's College in California, U.S.A. and a Master in Business Administration (MBA) from the Kellogg School of Business of Northwestern University, Evanston, Illinois, U.S.A. and the Graduate School of Business of the Hong Kong University of Science and Technology.

Mr. Romuald U. Dy Tang, 67 years old, Filipino, has been a member of the Board of Directors of the Corporation since 2008 and was elected President of the Corporation in May 2010. Mr. Dy Tang is also a Member of the Executive Committee, Nominations Committee and the Compensation and Remuneration Committee. He is also a Member of the Board of Directors of various subsidiaries of the Corporation namely, Healthcare Systems of Asia Philippines, FortMED Medical Clinics, Makati, Inc. and Parkfield Landholdings, Inc. He is also a Director and Officer of other corporations namely, Kok Tay Trading Corporation, Sedgewick Holdings, Inc. and DTV Realty and Development, Inc. He was the Executive Vice President and Treasurer of Equitable PCI Bank and a Director of the various subsidiaries of the bank. Mr. Dy Tang earned his Bachelor of Science in Business Administration from De La Salle University, Manila

Mr. Salvador P. Escano, 67 years old, Filipino, was elected to the Board of Directors in June 2011. Mr. Escano is a self-made entrepreneur-businessman with substantial interests in real estate and the gases business, specifically liquefied petroleum gas (LPG) and industrial gases, with operations mainly in the Visayas and Mindanao regions of the Philippines. He is concurrently Chairman and CEO of Pryce Corporation and of its subsidiary, Pryce Gases, Inc. He was previously General Manager of Anselmo Trinidad and Co., (HK) Ltd., a Hongkong-based stockbrokerage firm from 1978 to 1981. He was also a Member of the Board of Governors of the Makati Stock Exchange from 1989 to 1991. Mr. Escano started his professional career as a banker with then Far East Bank & Trust Co. (later absorbed by Bank of the Philippine Islands). Mr. Escano holds an Economics Degree from Xavier University and a Master Degree in Business Administration from the University of the Philippines.

Mr. Melvin O. Vergara, 47 years old, Filipino, has been a member of the Board of Directors since May 2011. He is also currently a Director of Healthcare Systems of Asia Philippines, Inc. and FortMED Clinics Makati, Inc. Mr. Melvin O. Vergara has been an Associate Person of Guild Securities, Inc. since 2002. He was a Consultant of the same company from 2000 to

2002. He earned his Degree in Business Administration from the University of Sto. Tomas. He is the son of Wilfrido V. Vergara.

Mr. Christopher Brian C. Dy, 34 years old, Filipino, is the Assistant Vice President of the Corporation. Mr. Dy has been a member of the Board of Directors of the Corporation since May 2011. He is also the Vice President of Crown Central Properties Corporation. He also served as the purchasing officer of FortMED Medical Clinics in 2010. He took up securities training in Guild Securities, Inc. from 2009 to 2010 and worked for 3M Philippines for the Projections Systems and Optical Systems divisions. He was also the General Manager of Gold Crest Holdings, Inc. from 2006 to 2008 and a Property Specialist of Ayala Land Premier in 2006. He earned his Bachelor of Science in Management, Major in Management Communications Technology from the Ateneo de Manila University. He is the son of Mr. Romuald U. Dy Tang.

Mr. Nixon Y. Lim, 49 years old, Filipino, has been a member of the Board of Directors since July 22, 2014. Mr. Lim is currently the Chairman of Steniel Manufacturing Corporation, serving as such since 2011. He is also the Chairman of Steniel Cavite Packaging Corporation and Steniel Land Corporation since 2012. He is also the President of Steniel Mindanao Packaging Corporation, Green Siam Resources Corporation, Greenstone Packaging Corporation, Greenkraft Corporation, Corbox Corporation, and Golden Bales Corporation. Prior to this, he has had work experience in the packaging business particularly in the fields of sales, marketing, manufacturing and finance. He holds a degree in BS Physics from De La Salle University, Manila, having graduated in 1992.

Benedicto C. Legaspi, Jr., 64 years old, Filipino, is an independent director of the Corporation. An independent real estate practitioner, Mr. Legaspi was formerly Executive Vice President at Metropolitan Bank & Trust Company and Senior Vice President and Chief Credit Officer at Far East Bank and Trust Company. He was past director of Charter Ping An Insurance Corporation, Philippine Charter Insurance Corporation, Bacnotan Steel Industries, FEB Leasing Corporation, FEB Exchange, Inc. and Vitarich Corporation. He was also chairman of the Credit Committee of Megalink, Inc. He attended the Executive Development Program of the Asian Institute of Management where he was cited for Superior Performance and graduated from the Ateneo de Manila University with a BS in Management (Honorable Mention).

Rodolfo B. Fernandez, 62 years old, Filipino, is an independent director of the Corporation. Atty. Fernandez currently sits on the board of Reference Group Financial Services where he is also legal consultant. He was formerly Chief Compliance Officer at BPI Family Savings Bank; Head of Compliance and Legal at BPI AMTG and BPI Mutual Fund Companies; Head of the BPI Account Management Department; Chief Legal Counsel at Far East Bank and Trust Co., and Head of Legal and Product Development of FEBTC – Trust Department. An expert and lecturer on estate planning, he obtained his Bachelor of Laws from the UP College of Law and his AB Political Science from the University of Santo Tomas.

b. Significant Employees

The Corporation has no employee who is not an executive officer but is expected to make a significant contribution to the business.

c. Family Relationships

Mr. Patrick D. Go, Compliance Officer and member of the Board of Directors, is the son of

Mr. George L. Go, Chairman of the Board of Directors. Mr. Melvin O. Vergara is the son of Mr. Wilfrido V. Vergara, Vice Chairman of the Board of Directors while Mr. Christopher Brian C. Dy is the son of Mr. Romuald U. Dy Tang, President. Aside from the foregoing, no other directors or executive officer are related up to the fourth civil degree either by consanguinity or affinity.

The Corporation has no controlling or parent company.

d. Involvement in Certain Legal Proceedings

The Corporation has no knowledge of the involvement of the current directors and executive officers, in any legal proceedings as defined in the Securities Regulation Code for the last five years up to the date of this report.

Item 10. Executive Compensation

In 2018, the Corporation's Executive Officers consisted only of the following key personnel: the Chairman, the President, First Vice-President and the Treasurer.

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Executive Officers and Directors of the Corporation are as follows:

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS					
Name and Principal Position	Year	Salary/Fees	Bonus	Other Annual Compensation	Total
Compensation of Executive Officers* George L. Go, Chairman Romuald U. Dy Tang, President Eugene B. Macalalag, First Vice President Antonio B. Alvarez, Treasurer	2019(Est.)	₱5.12 million	₱20.20 million	-	₱25.12 million
	2018	₱4.87 million	₱14.45 million	-	₱19.32 million
	2017	₱4.30 million	₱1.70 million	₱0.77 million	₱6.77 million
All Other Directors and Officers as a Group	2019(Est.)	₱4.40 million	₱5.50 million	-	₱9.90 million
	2018	₱4.15 million	₱3.80 million	-	₱7.95 million
	2017	P2.80 million	P0.55 million	-	P3.35 million

* *The Chairman, President, First Vice President and Treasurer are the only executive officers of Crown Equities, Inc.*

Compensation of Directors

The members of the Board of Directors who are not executive officers are elected for a term of one year.

As provided in the Corporation's by-laws, directors shall receive a reasonable per diem allowance for their attendance at each meeting. Further, as compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among the Directors in such manner as the Board may deem proper.

Other Arrangements

On May 31, 2002, the stockholders approved a stock option plan for directors and executive officers of the Corporation as may be designated by the Board.

The Corporation's stock option plan entitles, on grant date, the directors and executive officers of the Corporation to purchase shares of stock of the Corporation at par value or book value, whichever is higher. The underlying shares subject to the stock option plan covers 2,400,000,000 common shares representing 10% of the authorized capital stock of the Corporation. The stock option shall be subject to vesting according to such schedule as shall be approved by the Board of Directors, provided that vesting shall lapse after five years from entitlement date, and provided further that with respect to executive officers, vesting shall expire upon their resignation from the Corporation. The number of underlying common shares in respect of outstanding options and/or the exercise price shall be correspondingly adjusted in the event of any stock dividend declaration, stock split, merger, consolidation, or the similar or analogous change in the corporate structure or capitalization of the Group. The terms and conditions of the stock option plan may be amended by the resolution of the Board of Directors, except that any increase in the maximum number of shares or any decrease in the exercise price shall require the approval of stockholders representing at least two-thirds of the outstanding capital stock.

No stock option has been granted from the time the stock option plan was approved.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2018, the following stockholders own more than 5% of the Corporation's outstanding capital stocks:

Title of Class	Name and Address of Stockholders	Amount of shares [Record (r)/Beneficial (b) Ownership]	% Ownership
Common shares	PCD Nominee Corp. [1] 37/F Tower 1 Enterprise Center Ayala Ave. cor. Paseo de Roxas, Makati City	9,590,425,203	70.517%

[1] PCD Nominee Corp. (PCD), a wholly-owned subsidiary of Philippine Central Depository, Inc., is the registered owner of certain shares in the books of the Corporation's transfer agents in the Philippines. The beneficial owners of such shares are PCD's participants, who hold shares on their behalf or in behalf of their clients. PCD is a private Corporation organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The beneficial owners of PCD shares that owns 5% and above are indicated as follows:

Guild Securities, Inc. (Filipino) Unit 1215 Tower One and Exchange Plaza Ayala Avenue, Makati City	5,820,037,579	42.7943%
First Orient Securities, Inc. (Filipino) Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City	2,793,321,624	20.5391%
Marian Securities, Inc. (Filipino) Unit B 26-1-11 Floor Export Bank Plaza Chino Roces Ave. cor. Gil Puyat Ave., Makati City	977,066,000	7.1843%

The following have the right to vote or direct the voting or disposition of the CEI shares beneficially held by the Corporations they respectively represent: Antonio B. Alvarez for Guild Securities, Inc., Trinidad Y. Kalaw for First Orient Securities, Inc. and Conrado G. Marty for Marian Securities, Inc.

To the best knowledge of the Corporation, no security holder has created a voting trust for the purpose of conferring upon a trustee the right to vote pertaining to shares of stock of the Corporation.

(2) Security Ownership of Directors and Management

Security ownership of Management and Directors as of December 31, 2018 is as follows:

Title of Class	*Names of Beneficial Owner*	*Amount and Nature of Beneficial Ownership*	*Citizenship*	*Percent of Ownership*
	A. **Directors**			
Common Shares	Nixon Y. Lim	367,150,000 [d]	Filipino	2.700%
Common Shares	Patrick D. Go	181,420,000 [db1]	Filipino	1.327%
Common Shares	George L. Go	136,950,800 [db2]	Filipino	1.007%
Common Shares	Wilfrido V. Vergara	22,576,000 [db4]	Filipino	0.166%
Common Shares	Ramon A. Recto	10,880,000 [db3]	Filipino	0.080%
Common Shares	David O. Chua	400,000 [d]	Filipino	0.003%
Common Shares	Conrado G. Marty	80,008 [d]	Filipino	0.001%
Common Shares	Christopher Brian C. Dy	20,000 [d]	Filipino	nil
Common Shares	Salvador P. Escano	10,000 [d]	Filipino	nil
Common Shares	Melvin O. Vergara	10,000 [d]	Filipino	nil
Common Shares	Benedicto C. Legaspi, Jr.	10,000 [d]	Filipino	nil
Common Shares	Rodolfo B. Fernandez	80 [d]	Filipino	nil
	B. xecutive Officers			
Common Shares	Antonio B. Alvarez	177,600 [d]	Filipino	0.001%
Common Shares	Romuald Dy Tang	76,720,000[db5]	Filipino	0.564%
Common Shares	Eugene B. Macalalag	6,800,080[db6]	Filipino	0.050%
	C. **All Directors and Officers as a Group**	803,202,568		5.883%

[d] – these are directly owned by the aforementioned director or officer
[db1] – 44,412,000 of these are registered in one of the PCD member companies but beneficially owned by the director
[db2] – 132,950,000 of these are registered in one of the PCD member companies but beneficially owned by the director
[db3] – 3,280,000 of these are registered in one of the PCD member companies but beneficially owned by the director
[db4] – 10,000,000 of these are registered in one of the PCD member companies but beneficially owned by the director
[db5] – 76,700,000 of these are registered in one of the PCD member companies but beneficially owned by the director
[db6] – 6,800,000 of these are registered in one of the PCD member companies but beneficially owned by the director

(2) Voting Trust Holders of 5% or More

No persons known to the Corporation hold more than 5% of the common shares under a voting trust or similar agreement.

(3) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties.

During the last three years, there were no transactions or series of similar transactions with or involving the Corporation or any of its subsidiaries in which a director, executive officer, nominee for election as a director or stockholder owning ten percent (10%) or more of total outstanding shares and members of their immediate family, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

(1) Evaluation System

Since the implementation of its Manual on Corporate Governance in 2003, compliance with it has been satisfactory and no sanction has been imposed on any member of the organization for deviating from the Manual.

The Corporation adopted and implemented its Manual on Corporate Governance in 2003 to institutionalize the principles of good corporate governance in the entire organization and to supplement its By-Laws. The Corporation maintains two (2) independent directors in its Board and has designated a Compliance Officer to oversee the implementation of the Manual. Pursuant to the Manual, the Corporation created a Nomination Committee to pre-screen and shortlist all candidates nominated to become a member of the Board. A Compensation and Remuneration Committee was also formed to develop policies on executive remuneration; and an Audit Committee to check all financial reports and to provide oversight on financial management functions.

In addition to the foregoing committees, the Corporation has a five-member Executive Committee that regularly meets to discuss the Corporation's day-to-day operation.

(2) Measures on leading practices of good corporate governance

The Board of Directors shall review the Manual from time to time and recommend the amendment thereof with the goal of achieving better transparency and accountability. The Compliance Officer continues to evaluate the compliance of the Corporation, its directors, officers, and employees with its existing Manual, which may be amended from time to time.

(3) Any Deviation from the Manual

There was no material deviation in compliance with the Manual for the year 2018.

(4) Improvement

In 2017, the Corporation amended its Manual to comply with the Revised Code of Corporate Governance.

The Corporation has adopted the policy of reviewing its Manual on an annual basis at the Board level with the aim of constantly improving its corporate governance.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(1) Exhibits

Audited Financial Statements	Annex A

(2) Reports on SEC Form 17-C from January 1 to December 31, 2018

Date of Disclosure	Subject
May 22, 2018	Results of the annual and organizational Board meeting of Crown Equities held on May 22, 2018 at the Dasmarinas Room, Makati Sports Club, 1227 L.P. Leviste Street, Salcedo Village, Makati City
May 31, 2019	Integrated Annual Corporate Governance Report
September 22, 2018	Call on Unpaid Subscriptions
December 4, 2018	Declaration of Delinquent Shares and Public Auction Sale
February 27, 2019	1. Notice of Annual Stockholders' Meeting for 2019 2. Declaration of Stock Dividends

SIGNATURES

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

By:

ROMUALD U. DY TANG President	**EUGENE B. MACALALAG** First Vice-President
ANTONIO B. ALVAREZ Treasurer	**ELMER B. SERRANO** Corporate Secretary

PASIG CITY

SUBSCRIBED AND SWORN to before me this APR 12 2019 affiant exhibiting to me their Tax Identification Number, as follows:

NAMES	TIN
Romuald U. Dy Tang	115-321-304
Eugene B. Macalalag	117-667-674
Elmer B. Serrano	153-406-995
Antonio B. Alvarez	107-049-888

Doc. No. 160
Page No. 33
Book No. IV
Series of 2019.

KATHLEEN MAE C. TUASON
Appointment No. 15 (2018-2019)
Notary Public for Pasig City
Until December 31, 2019
Attorney's Roll No. 70340
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 5212723; 1.04.19; Pasig City
IBP Lifetime No. 017279; 05.19.17; RSM
MCLE Compliance No. VI-0015879; 4.14.22

CROWN EQUITIES
INCORPORATED

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **CROWN EQUITIES, INC. 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, 2018 and 2017, 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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Group'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.

Reyes Tacandong & Co. and R.G. Manabat & Co., the independent auditors appointed by the stockholders in 2018 and 2017, respectively, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

GEORGE L. GO	ROMUALD U. DY TANG	ANTONIO B. ALVAREZ
Chairman of the Board	President	Treasurer

SUBSCRIBED AND SWORN to before me this MAR 2 2 2019 affiant exhibiting to me their Tax Identification Number, as follows:

NAMES	TIN
George L. Go	100-929-738
Romuald U. Dy Tang	115-321-304
Antonio B. Alvarez	107-049-888

Doc No. 341
Page No. 70
Book No. 14
Series 2019

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT NO. M-87 UNTIL DEC. 31, 2020
ROLL OF ATTY NO. 48348
MCLE COMPLIANCE NO. V-0026676/4-11-2018
IBP O.R No. 705762 LIFETIME MEMBER JAN 29 2007
PTR No. 7333020- JAN 03, 2019- MAKATI CITY
EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST, MAKATI CITY

ROWEL B. ESTEBAN
CERTIFIED PUBLIC ACCOUNTANT
D606 Viverde Lofts, P. Dominga, Pasay
09 Sinulatan Second, Camiling, Tarlac
Mobile: 0917 557 1928
email: rowel_best@yahoo.com

PRACTITIONER'S COMPILATION REPORT

The Board of Directors and Stockholders
Crown Equities, Inc. and Subsidiaries
Crown Center, N. Garcia cor. Jupiter Streets
Bel-air, Makati City

I have compiled the accompanying consolidated financial statements Crown Equities, Inc. and Subsidiaries (the Group) based on information you have provided. These consolidated financial statements comprise the consolidated statement of financial position of the Group as at December 31, 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These consolidated financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to me to compile these consolidated financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these consolidated financial statements are prepared in accordance with PFRS.

ROWEL B. ESTEBAN
CPA Certificate No. 121715
Tax Identification No. 256-135-713-000
BOA/PRC Accreditation No. 5674 valid until January 20, 2020
PTR No. 6053379, Issued on January 8, 2019 at Camiling, Tarlac

March 12, 2019
City of Makati, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 3 8 7 4 5

COMPANY NAME

C R O W N E Q U I T I E S , I N C . A N D S U B S I D I A R I E S

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

5 t h F l o o r C r o w n C e n t e r , 1 5 8 J u p i t e r c o r . N . G a r c i a S t s . , B e l - A i r M a k a t i C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A S F S	C R M D	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
cei@crownequitiesinc.com	(632) 899-0081	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
365	4th Tuesday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Eugene B. Macalalag	ebm@crownequitiesinc.com	(632) 899-0081	–

CONTACT PERSON'S ADDRESS

5th Floor Crown Center, 158 Jupiter cor. N. Garcia Sts., Bel-Air Makati City

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

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

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 982 9100
Fax : +632 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
CROWN EQUITIES, INC. AND SUBSIDIARIES
5th Floor Crown Center, 158 Jupiter cor. N. Garcia Sts.
Bel-Air Makati City

Opinion

We have audited the consolidated financial statements of CROWN EQUITIES, INC. AND SUBSIDIARIES (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. 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 the 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Adoption of PFRS 9, *Financial Instruments*
On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*, which replaced PAS 39, *Financial Instruments: Recognition and Measurement,* bringing together all aspects of the accounting for financial instruments. PFRS 9 provides revised principles for classifying financial assets and introduces forward-looking expected credit loss (ECL) model to assess impairment of financial assets at amortized cost. The Group's adoption of the new classification criteria of the financial assets and the ECL model on receivables is significant to our audit because the classification determines how financial assets are measured and accounted for in the consolidated financial statements while the assessment process of ECL involves significant management judgment and assumptions that are affected by future market or economic conditions or behavior of the debtors. Our audit procedures included, among others, understanding the contracts review process to establish the contractual cash flow characteristics, review of business models of the Group and assessment of parameters set within the business models for the classification of the financial assets; review of management's methodologies and models used by the Group in determining the method to estimate ECL; and review of the reasonableness of the assumptions used (e.g., key inputs, historical loss rates, forward-looking information, etc.) in determining the amount of ECL.

We also assessed the transition and the disclosure requirements on the adoption of PFRS 9 classification criteria. We focused our assessment on the adequacy of the Group's disclosures about the assumptions to which the impairment test is most sensitive to, that is, those that have the most significant effect on the determination of the ECL in accordance with PFRS 9.

The Group's disclosures are included in Notes 2 and 29 to the consolidated financial statements.

Other Matter

The consolidated financial statements of the Group as at and for the years ended December 31, 2017 and 2016 were audited by another auditor, whose report dated April 16, 2018 expressed an unmodified opinion on those statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' 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.

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 PFRSs, 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.

Auditors' 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 auditors' 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 PSAs 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, these 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 PSAs, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Wilson P. Teo.

REYES TACANDONG & CO.

WILSON P. TEO
Partner
CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1614-A
Valid until March 1, 2020
BIR Accreditation No. 08-005144-014-2017
Valid until March 8, 2020
PTR No. 7334346
Issued January 3, 2019, Makati City

March 12, 2019
Makati City, Metro Manila

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(With Comparative Figures for 2017)

	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	₱503,460,814	₱264,388,005
Receivables	6	152,518,421	80,715,079
Investments in quoted shares	5	133,809,204	67,357,783
Inventories	7	148,546,595	172,652,090
Assets held for sale	10	–	361,282,867
Other current assets	8	52,209,024	65,122,005
Total Current Assets		990,544,058	1,011,517,829
Noncurrent Assets			
Installment contracts receivable - net of current portion	6	64,735,375	58,636,222
Investment in unquoted shares	9	47,344,659	47,344,659
Investment properties	11	995,390,410	698,169,105
Property and equipment	12	267,107,786	271,540,545
Goodwill	13	21,740,604	21,740,604
Deferred tax assets	27	19,643,843	–
Other noncurrent assets	14	4,001,905	3,813,280
Total Noncurrent Assets		1,419,964,582	1,101,244,415
		₱2,410,508,640	₱2,112,762,244
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	15	₱212,081,806	₱191,574,393
Loans payable	16	34,993,527	–
Income tax payable		–	2,041,055
Liability directly associated with assets held for sale	10	–	42,158,700
Total Current Liabilities		247,075,333	235,774,148
Noncurrent Liabilities			
Retirement benefits liability	17	17,028,317	13,137,307
Security deposits	26	3,213,377	2,849,292
Deferred tax liabilities	27	6,047,808	–
Total Noncurrent Liabilities		26,289,502	15,986,599
Total Liabilities		273,364,835	251,760,747

(Forward)

	Note	2018	2017
Equity	18		
Capital stock		₱1,833,309,158	₱1,829,559,158
Additional paid-in capital		118,570,274	118,570,274
Retained earnings		507,951,044	238,281,080
Other comprehensive income	17	6,057,167	4,815,022
		2,465,887,643	2,191,225,534
Treasury shares		(481,523,252)	(481,523,252)
Equity Attributable to Equity Holders of the Parent Company		1,984,364,391	1,709,702,282
Non-controlling interests	18	152,779,414	151,299,215
Total Equity		2,137,143,805	1,861,001,497
		₱2,410,508,640	₱2,112,762,244

See accompanying Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Figures for 2017 and 2016)

	Note	2018	2017	2016
REVENUE	19			
Real estate sales		₱114,900,301	₱69,427,675	₱61,122,951
Sale of services		79,050,657	71,047,245	67,414,820
Interest income	4	22,970,361	14,765,302	16,565,782
Rent income	26	13,180,218	11,318,984	10,121,141
Dividend income	5	3,206,819	1,696,142	559,354
Others		72,848	204,066	3,089,981
		233,381,204	168,459,414	158,874,029
COSTS AND EXPENSES				
Costs of sales and services	20	94,391,336	71,818,020	62,338,492
Operating expenses	22	165,228,752	114,234,821	87,763,178
		259,620,088	186,052,841	150,101,670
GAIN ON SALE OF ASSETS HELD FOR SALE	19	317,969,983	–	–
OTHER INCOME (CHARGES) - Net	23	(10,969,099)	154,200,560	10,243,630
INCOME BEFORE INCOME TAX		280,762,000	136,607,133	19,015,989
PROVISION FOR (BENEFIT FROM) INCOME TAX	27			
Current		9,757,708	6,866,692	5,598,422
Deferred		(14,139,400)	945,776	685,060
		(4,381,692)	7,812,468	6,283,482
NET INCOME		285,143,692	128,794,665	12,732,507
OTHER COMPREHENSIVE INCOME				
Item that will not be reclassified subsequently to profit or loss				
Remeasurement gain on retirement benefits, net of tax effect	17	1,267,853	2,289,434	922,176
TOTAL COMPREHENSIVE INCOME		₱286,411,545	₱131,084,099	₱13,654,683
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱269,669,964	₱120,967,896	₱10,379,835
Non-controlling interests		15,473,728	7,826,769	2,352,672
		₱285,143,692	₱128,794,665	₱12,732,507

	Note	2018	2017	2016
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		₱270,912,109	₱123,267,067	₱11,258,822
Non-controlling interests		15,499,436	7,817,032	2,395,861
		₱286,411,545	₱131,084,099	₱13,654,683
BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	25	₱0.01983	₱0.00889	₱0.00076

See accompanying Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Figures for 2017 and 2016)

	Note	2018	2017	2016
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock	18			
Balance at beginning of year		₱1,829,559,158	₱1,829,559,158	₱1,829,559,158
Collection of subscription receivable		3,750,000	–	–
Balance at end of year		1,833,309,158	1,829,559,158	1,829,559,158
Additional Paid-in Capital	18	118,570,274	118,570,274	118,570,274
Retained Earnings				
Balance at beginning of year		238,281,080	117,313,184	106,933,349
Net income		269,669,964	120,967,896	10,379,835
Balance at end of year		507,951,044	238,281,080	117,313,184
Other Comprehensive Income	17			
Balance at beginning of year		4,815,022	2,515,851	1,636,864
Other comprehensive income		1,242,145	2,299,171	878,987
Balance at end of year		6,057,167	4,815,022	2,515,851
Treasury Shares	18	(481,523,252)	(481,523,252)	(481,523,252)
		1,984,364,391	1,709,702,282	1,586,435,215
NON-CONTROLLING INTERESTS				
Balance at beginning of year		151,299,215	160,357,183	157,961,322
Total comprehensive income attributable to non-controlling interests		15,499,436	7,817,032	2,395,861
Dividends declared by a subsidiary		(14,019,237)	(16,875,000)	–
Balance at end of year		152,779,414	151,299,215	160,357,183
		₱2,137,143,805	₱1,861,001,497	₱1,746,792,398

See accompanying Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Figures for 2017 and 2016)

	Note	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱280,762,000	₱136,607,133	₱19,015,989
Adjustments for:				
Gain on:				
Sale of assets held for sale	10	(317,969,983)	–	–
Disposal of property and equipment	12	(22,321)	–	–
Provision for (reversal of) impairment losses on:				
Investment properties	11	25,460,606	–	–
Receivables	6	3,390,525	–	404,224
Investment in and advances to a joint venture	10	–	(126,844,311)	–
Interest income	4	(36,809,588)	(18,711,098)	(19,453,634)
Depreciation and amortization	11	15,623,643	13,120,031	14,511,492
Unrealized loss (gain) on changes in investments in quoted shares	5	9,321,806	(6,052,587)	(2,414,547)
Retirement benefits	17	5,702,228	2,071,382	2,158,103
Dividend income	5	(3,206,819)	(1,696,142)	(559,354)
Unrealized foreign exchange gain	23	(820,203)	(939)	(999,919)
Operating income (loss) before working capital changes		(18,568,106)	(1,506,531)	12,662,354
Decrease (increase) in:				
Investments in quoted shares		(75,283,793)	(19,284,213)	(7,654,804)
Receivables		8,706,980	9,236,555	(31,772,167)
Inventories		22,197,411	3,881,870	10,352,393
Other assets		13,156,388	(5,307,266)	8,814,358
Increase in:				
Accounts and other payables		23,363,176	8,263,963	20,038,248
Security deposits		364,085	242,000	361,934
Net cash generated from (used for) operations		(26,063,859)	(4,473,622)	12,802,316
Interest received		36,809,588	19,689,658	20,064,956
Income taxes paid		(12,230,795)	(7,527,253)	(5,184,286)
Dividends received		3,206,819	1,696,142	559,354
Net cash flows from operating activities		1,721,753	9,384,925	28,242,340

(Forward)

	Note	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from:				
Sale of assets held for sale	10	₱637,094,150	₱–	₱–
Sale of property and equipment	12	22,321	–	–
Collection of loans receivable	6	10,000,000	–	48,333,333
Acquisitions of:				
Investment properties	11	(323,073,702)	(639,286)	(752,099)
Property and equipment	12	(8,891,009)	(12,200,027)	(5,317,328)
Loans extended to a third party	6	(100,000,000)	–	–
Net cash flows from investing activities		215,151,760	(12,839,313)	42,263,906
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans	16	34,993,527	–	–
Payment of dividends to non-controlling interests	24	(16,875,000)	–	(10,600,000)
Collection of subscriptions receivable	18	3,750,000	–	2,925,000
Net cash flows from financing activities		21,868,527	–	(7,675,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		330,769	939	999,919
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		239,072,809	(3,453,449)	63,831,165
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		264,388,005	267,841,454	204,010,289
CASH AND CASH EQUIVALENTS AT END OF YEAR		₱503,460,814	₱264,388,005	₱267,841,454

	Note	2018	2017	2016
SUPPLEMENTARY INFORMATION ON NON-CASH FINANCING AND INVESTING ACTIVITIES				
Dividends payable to non-controlling interests	24	₱14,019,237	₱16,875,000	₱–
Transfer from real estate inventories to:				
Investment properties	7	1,792,000	2,788,976	2,356,917
Property and equipment	7	116,084	–	–
		₱15,927,321	₱19,663,976	₱2,356,917

(Forward)

	Note	2018	2017	2016
COMPONENTS OF CASH AND CASH EQUIVALENTS	4			
Cash on hand		₱57,998	₱57,998	₱57,998
Cash in banks		62,135,316	34,660,007	42,930,822
Short-term placements		441,267,500	229,670,000	224,852,634
		₱503,460,814	₱264,388,005	₱267,841,454

See accompanying Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(With Comparative Information for 2017 and 2016)

1. Corporate Information

General Information

Crown Equities, Inc. ("CEI" or the "Parent Company"), a public corporation under Section 17.2 of the Securities Regulation Code (SRC), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 24, 1969. The Parent Company is an investment holding company, currently engaged in the business of real estate development and healthcare through its subsidiaries. Its shares are listed in the Philippine Stock Exchange (PSE).

The Parent Company's registered office address is located at the 5^{th} Floor Crown Center, 158 Jupiter cor. N. Garcia Sts., Bel-Air Makati City.

Subsidiaries

The consolidated financial statements include the accounts of CEI and the following subsidiaries (collectively referred herein as the "Group") as at December 31, 2018 (and 2017):

Name of Subsidiary	% of Ownership	Nature of Business	Principal Place of Business
Crown Central Properties, Corp. (CCPC) [a]	48%	Real Estate	Biñan, Laguna
Parkfield Land Holdings, Inc. (PLHI)	75%	Real Estate	Makati City
Healthcare Systems of Asia Phils., Inc (HSAPI)	97%	Holding	Makati City
Fortmed Medical Clinics Makati, Inc. (FMCMI) [b]	97%	Healthcare	Makati City

(a) Management has determined that the Parent Company has control over the financial and operating policies of CCPC through representation on the Board of Directors (see Note 3).

(b) Indirectly owned through HSAPI.

CCPC. CCPC was incorporated and registered with the SEC on September 3, 1996 and is engaged in acquiring, developing and selling real estate properties. CCPC has completed projects in Palma Real Residential Estates, located in Biñan, Laguna (see Note 26).

PLHI. PLHI was incorporated and registered with the SEC on April 11, 2001 and is engaged in acquiring, developing and selling real estate properties. As at December 31, 2018 (and 2017), PLHI only holds parcels of land for undeterminable future use.

HSAPI. HSAPI was incorporated and registered with the SEC on July 26, 1996 as an investment holding company. HSAPI owns 97% interest ownership in FMCMI.

FMCMI. FMCMI was incorporated and registered with the SEC on January 21, 1997 and is engaged in providing and delivering medical and health care services. FMCMI has two clinics located in Makati City and Sta. Rosa, Laguna.

Approval of Consolidated Financial Statements

The consolidated financial statements as at and for the year ended December 31, 2018 were approved for issuance by the Executive Committee on March 12, 2019, as authorized by the Board of Directors (BOD) on February 26, 2019.

2. Summary of Significant Accounting and Reporting Policies

The significant accounting policies used in the preparation of the consolidated financial statements are consistently applied to all years presented, unless otherwise stated.

Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRSs, Philippine Accounting Standards (PASs) and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC).

Bases of Measurement

The consolidated financial statements are presented in Philippine Peso (Peso), the Group's functional currency. All values are rounded to the nearest Peso except when otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

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

The Group uses market observable data to the extent possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes to consolidated financial statements:

- Note 11 - Investment Properties
- Note 28 - Fair Value of Financial Assets and Liabilities

Adoption of New and Amended PFRSs

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant new and amended PFRSs which the Group adopted effective January 1, 2018:

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9), bringing together all aspects of the accounting for financial instruments: classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on the classification by reference to the business model within which these are held and the contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; recognition of a credit loss should no longer wait for an objective evidence of impairment.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing consolidated financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

  Based on the Group's analysis of its business model as at January 1, 2018 and the contractual cash flow characteristics of its financial assets and liabilities, the Group has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified under PFRS 9.

  The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Group's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39 and PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱264,388,005
Receivables (excluding loans receivables)	Loans and receivables	Financial assets at amortized cost	70,715,079
Loans receivables	Held-to-maturity investments	Financial assets at amortized cost	10,000,000

(Forward)

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39 and PFRS 9
Investments in quoted shares	Financial assets at FVPL	Financial assets at FVPL	₱67,357,783
Investment in unquoted shares	Available-for-sale (AFS) financial asset	Financial assets at FVOCI	47,344,659
Refundable deposits	Loans and receivables	Financial assets at amortized cost	2,181,837
Construction bond	Loans and receivables	Financial assets at amortized cost	241,900

The Group assessed that the adoption of PFRS 9, specifically on determining impairment loss using the simplified and general approach, has an impact of ₱3.7 million decreases in the Group's 2018 consolidated statement of comprehensive income (see Note 6).

The Group has adopted the retrospective approach in accordance with the transition provisions of PFRS 9, but has elected not to restate comparative information.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The following are the related literatures issued subsequent to adoption of PFRS 15:

  - Amendments to PFRS 15, *Revenue from Contract with Customers - Clarifications to PFRS 15*

    The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

  - Philippine Interpretations Committee (PIC) Q&A No. 2016-04, *Application of PFRS 15 Revenue from Contracts with Customers on Sale of Residential Properties under Pre-completion Contracts* – The interpretation provides implementation guidance specifically whether the sale of a residential property unit under pre-completion stage by a real estate developer that enters into a CTS with a buyer – meets the criteria for revenue recognition over time.

  - PIC Q&A No. 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* – The interpretation addresses some implementation issues affecting real estate industry due to changes brought about by the adoption of PFRS 15.

- SEC Memorandum Circular No. 14, Series of 2018, *PIC Q&A 2018-12 Implementation Issues Affecting the Real Estate Industry* – The Circular provides relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of percentage of completion, for a period of three years. This deferral will only be applicable for real estate transactions. Effective January 1, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The SEC Memorandum Circular also provided the mandatory disclosure requirements should an entity decides to avail of any relief. Required disclosures include:

a) The accounting policies applied;
b) Discussion of the deferral of the subject implementation issues in the PIC Q&A;
c) Qualitative discussion of the impact in the financial statements had the concerned application guideline in the PIC Q&A been adopted; and
d) Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

The management opted to adopt the deferral of the application of PIC Q&A 2018-12 as applicable transactions may occur on or before 2021. Had the specific provisions of the PIC Q&A 2018-12 been adopted, impact on the financial statements would not be material because the Group currently does not have any real estate development projects, thus POC does not apply.

The Group adopted PFRS 15 using the modified retrospective method. The effect of adopting PFRS 15 as at December 31, 2018 and January 1, 2018 arising from the sale of real estate pertains only to the classification of contract assets and contract liabilities (see Note 19).

All of the Group's contracts with customers generally undertake to provide single performance obligation, at a fixed price, which is mainly the delivery of real estate units. Thus, the allocation of transaction price to the single performance obligation is not applicable. As at December 31, 2018 (and 2017), real estate inventories pertain to completed houses, lots and condominium units that are available for sale. The Group recognizes revenue from real estate sales upon collection of at least 25% of contract price.

For all other contracts with customers, the Group recognizes revenue as the goods are transferred to the customer at the point of delivery and as the services are rendered over time.

Accordingly, the adoption of PFRS 15 has no significant impact on the timing of the Group's revenue recognition.

- Amendments to PAS 40, *Investment Property*, relating to transfers of investment property

  These amendments clarify that to transfer to, or from, investment properties there must be a change in use. If a property has changed use, there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Annual improvements 2014–2016

  PAS 28, *Investments in Associates and Joint Ventures*, regarding measuring an associate or joint venture at fair value.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the annual improvements, IFRIC 22 and amendments to PAS 40 and PFRS 15 did not have any material effect on the consolidated financial statements of the Group.

<u>New and Amended PFRSs Issued But Not Yet Effective</u>
Relevant new and amended PFRSs, which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 replaces PAS 17 *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

- Amendments to PAS 28, *Investments in Associates*, on long-term interests in associates and joint ventures

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarify that, in applying PFRS 9, an entity does not take into account any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS.

Deferred effectivity -

- Amendment to PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*

  The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRSs is not expected to have any material effect on the consolidated financial statements of the Group.

Basis of Consolidation

Subsidiaries. Subsidiaries are entities in which the Group has control. The Group controls a subsidiary if it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Control is generally accompanied by a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are substantive are considered when assessing whether the Group controls an entity. The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control and continue to be consolidated until the date when such control ceases. The results of operations of the subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared using the same reporting period of the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in the ownership interest of a subsidiary, without a change in control, is accounted for as an equity transaction. Upon the loss of control, the Group derecognizes the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Gain or loss arising from the loss of control is recognized in profit or loss. If the Group retains an interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently, it is accounted for as an equity-accounted investee or as financial assets at FVOCI depending on the level of interest retained.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, presented within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. Non-controlling interests represent the interests of minority shareholders of CCPC, PFLHI, HSAPI and FMCMI.

Business Combination and Goodwill

Acquisitions of businesses are accounted for using the acquisition method. The acquisition cost is measured as the sum of the considerations transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the business combination is achieved in stages, any previously held non-controlling interests is re-measured at the date of obtaining control and a gain or loss is recognized in profit or loss.

If the initial accounting for a business combination is incomplete as at the reporting date in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts and recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period ends at the date the Group receives the information about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable, but should not exceed one year from the acquisition date.

Goodwill, which arose from the acquisitions of controlling shares in HSAPI (₱21.7 million) in 2014, is initially measured at the acquisition date as the sum of the fair value of consideration transferred; the recognized amount of any non-controlling interests in the acquiree; and, if the business combination is achieved in stages, the fair value of existing equity interest in the acquiree less the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the bargain purchase gain is recognized directly in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the entity's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the entity are assigned to those units or groups of units. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes.

Where goodwill has been allocated to a cash-generating unit or group of cash generating units and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation in determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Financial Assets and Liabilities

Recognition and Measurement

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification

Classification of Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Classification of Financial Instruments between Liability and Equity. A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2018 (and 2017), the Group designated its investments in quoted shares as financial assets at FVPL (see Note 5).

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018 (and 2017), the Group's cash and cash equivalents, receivables, refundable deposits and construction bond are classified under this category (see Notes 4, 6, 8 and 14).

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2018 (and 2017), the Group designated its investment in unquoted shares as financial asset at FVOCI (see Note 9).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest 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.

Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018 (and 2017), the Group's accounts and other payables (excluding customers' deposits, unearned revenue and statutory payable), loans payable, liability directly associated with assets held for sale and security deposits are classified under this category (see Notes 10, 15, 16 and 26).

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset. The financial asset is measured at the reclassification day as if it had always been measured at amortized cost.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of Financial Assets at Amortized Cost
The Group records an allowance for ECL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 the consolidated statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Transition

The Group applied PFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings and other comprehensive income under equity as at January 1, 2018, if any. Accordingly, the information presented for 2017 does not generally reflect the requirements of PFRS 9, but rather those of PAS 39 as described below:

a. Classification

Until December 31, 2017, the Group classified its financial assets in the following categories:

- Financial assets at FVPL
- Held-to-maturity investments
- Loans and receivables
- AFS financial assets

The classification depended on the purpose for which the assets were acquired. Management determined the classification of these assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

b. Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

c. Subsequent Measurement

The measurement at initial recognition did not change on adoption of PFRS 9. Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortized cost using the effective interest method.

AFS financial assets and financial assets at FVPL were subsequently carried at cost and fair value, respectively. Gains or losses arising from changes in the fair value of financial assets at FVPL were recognized in profit or loss within "Other income (charges)".

Details on how the fair value of financial instruments is determined are disclosed in Note 28.

d. Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortized cost. For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognized in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could 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 was recognized in profit or loss.

Impairment testing of trade and other receivables and installment contracts receivable is described in Note 3.

Assets classified as AFS financial Assets. If there was objective evidence of impairment for AFS financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – was removed from equity and recognized in profit or loss.

Impairment losses on equity instruments that were recognized in profit or loss were not reversed through profit or loss in a subsequent period.

<u>Inventories</u>
Inventories are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value (NRV).

Real Estate Inventories. Real estate inventories include properties being constructed for sale in the ordinary course of business rather than to be held for rental or capital appreciation. Costs include the acquisition cost of the land plus costs incurred for development and improvement of the properties. NRV is the estimated selling price in the ordinary course of business less estimated costs to complete and sell. Cost represents price using specific identification method.

Medical Supplies. Medical supplies pertain to medical, laboratory and pharmacy supplies of FMCMI. Cost represents purchase price determined using first-in, first-out method. NRV is the current replacement cost.

<u>Assets Held for Sale</u>
Noncurrent assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use.

Such assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, any equity-accounted investee is no longer accounted under equity method.

<u>Investment Properties</u>
Investment properties are properties held either to earn rent income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of investment properties.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the investment properties:

Asset type	Useful life (in years)
Condominium units	30
Leasable space for ambulatory clinic	30

The estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

Asset type	Useful life (in years)
Building and building improvements	10-30
Medical equipment	5-7
Transportation equipment	5
Office furniture, fixtures and equipment	3-5

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Other Assets
Other assets include input value-added tax (VAT), creditable withholding taxes (CWTs), advances to officers and employees and prepayments.

VAT. Revenue, expenses and assets are generally recognized net of the amount of VAT. The net amount of VAT recoverable from taxation authority is presented as "Input VAT" in the consolidated statement of financial position.

Deferred Input VAT. In accordance with Revenue Regulations No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter. Deferred input VAT that is expected to be realized within 12 months after the financial reporting period is classified as current asset. Otherwise, it is classified as noncurrent asset.

CWTs. CWTs represent the amount withheld by the Group's customers in relation to its income. CWTs can be carried forward to the succeeding year when in excess of income tax payable and utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs are stated at face amount less any impairment in value.

Advances to Officers and Employees. Advances to officers and employees pertain to advances for payments of regular business expenditure that are subject to liquidation. These are measured at transaction amount, less any impairment in value.

Prepayments. Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Interest in a Joint Operation and Joint Venture
A joint arrangement is an arrangement whereby the parties are bound by a contractual arrangement and such contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint operation or joint venture.

A joint operation involves the use of assets and other resources of the Group and other venturers rather than the establishment of a corporation, partnership or other entity. The Group accounts for the assets it controls, and the liabilities and expenses it incurs, and the share of the income that it earns from the sale of goods, properties or services by the joint operation. The assets contributed to the joint operation are measured at the lower of cost or NRV.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in joint venture is initially carried in the consolidated statements of financial position at cost. Subsequent to initial recognition, investment in joint venture is measured in the consolidated financial statements using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the investment upon loss of joint control and the fair value of the retained interest and proceeds from disposal is recognized in profit or loss.

Impairment of Nonfinancial Assets

The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and when the carrying amounts exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of the fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined (net of depreciation and amortization for investment properties and property and equipment) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-In Capital (APIC). Capital stock is measured at par value for all shares issued. The subscribed capital stock is reported in equity at par less the related subscription receivable not collectible currently. Incremental costs, net of tax, incurred that are directly attributable to the issuance of new shares are recognized in equity as a reduction from related APIC or retained earnings. Proceeds or fair value of the consideration received in excess of par value are recognized as APIC.

Retained Earnings. Retained earnings represent the cumulative balance of the Group's results of operations, net of dividends. Retained earnings may also include the effect of changes in accounting policy as may be required by the standard's transitional provision.

Other Comprehensive Income. This pertains to the accumulated actuarial loss on the Group's retirement benefits liability arising from experience adjustments and changes in financial assumptions. Remeasurements of retirement benefits liability, and the corresponding deferred tax component, are recognized immediately in other comprehensive loss and are included in equity. These are not reclassified to profit or loss in subsequent periods.

Treasury Shares. Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

<u>Income Recognition</u>

Revenue

The Group generates revenue primarily from real estate sales, sale of goods, and sale of premium quality healthcare services. Other revenue sources include rental income from investment properties.

Revenue from Contracts with Customers. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

- *Real Estate Sales.* The Group assesses whether it is probable that the economic benefits will flow to the Group when the contract price is collectible. Collectibility of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivate the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections and credit standing of the buyer.

  Revenue from sales of real estate inventories is accounted for using the full accrual method.

  Any excess of collections over the recognized revenues is included in the "Customers deposits" account in the consolidated statement of financial position. If any of the criteria under the full accrual method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented as a liability in the consolidated statement of financial position.

- *Sale of Services.* Revenue is recognized when the performance of contractually agreed healthcare services has been rendered. Revenue from healthcare services is gross of physician's fee.

- *Sale of Goods.* Revenue is recognized, net of returns and discounts, when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery to and acceptance of the goods by the customers.

Revenue from Other Sources. Revenue from other sources is recognized as follows:

- *Rental Income.* Rental income is recognized on a straight-line basis over the lease term. Income collected in advance is deferred and is included as part of "Customers' deposits" account in the consolidated statement of financial position.

- *Dividend Income.* Dividend income is recognized on the date when the Group's right to receive payment is established.

- *Interest Income.* Interest income from financial assets at FVPL is included in the net fair value gains (losses) on these assets. Interest income on financial assets at amortized cost calculated using the effective interest method is recognized as interest income under revenue. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as such where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Other Income

The Group's other sources of income, which are mainly from gains on disposal of assets, forfeiture of customer deposits, surcharges, and other fees, are recognized as income when earned.

Contract Balances

Receivables. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

As at December 31, 2018, the Group does not have outstanding contract assets.

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays a consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made by the customer or when the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced and payments in excess of revenue recognized based on percentage of completion.

As at December 31, 2018, the Group's customer deposits and unearned revenue aggregating ₱33.3 million are classified as contract liabilities (see Note 15).

Cost to obtain a contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of real estate sold" account in the statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment asset. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

<u>Cost and Expense Recognition</u>
Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of Real Estate Sold. Cost of real estate sold is recognized in profit or loss upon sale and is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in the estimated cost to complete the condominium project, which affect cost of real estate sold and gross profit, are recognized in the year in which changes are determined.

Cost of Services. Cost of services is recognized as expense when the related services are rendered.

Cost of Goods Sold. Cost of goods sold is recognized as expense when the related goods are sold.

Operating Expenses. Operating expenses represent costs of administering the business. These are recognized as expense as they are incurred.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangements and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rent income is recognized in profit or loss on a straight-line basis over the lease term or terms of the lease, as applicable.

Retirement Benefits Liability

The retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit liability is performed by a qualified actuary.

The Group recognizes current service costs, past service costs and interest expense on the retirement benefits liability in profit or loss. Interest expense is calculated by applying the discount rate to the retirement benefits liability at the beginning of the year, taking into account any changes in the defined liability during the period as a result of benefit payments.

Remeasurements of the retirement benefits liability, which pertains to actuarial gains and losses, are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefits liability is stated at present value determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Offsetting. Current tax assets and current tax liabilities are offset, or deferred tax assets and deferred tax liabilities are offset if, and only if, an enforceable right exists to set off the amounts and it can be demonstrated without undue cost or effort that the Group plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

<u>Related Party Relationships and Transactions</u>
Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its stockholders.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

<u>Provisions</u>
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase due to the passage of time is recognized as interest expense.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimates of outcome and financial effect are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting period.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

<u>Events after the Reporting Date</u>
Post year-end events that provide additional information about the Group's financial position as 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.

<u>Earnings Per Share (EPS)</u>
The Group presents basic and diluted EPS data for its common shares.

Basic EPS is calculated by dividing the net income attributable to common shareholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year. There are no potential dilutive shares.

<u>Operating Segments</u>
For management purposes, the Group is divided into operating segments per products/service, (real estate, healthcare services, and investment holdings) according to the nature of the products and services provided. Financial information on operating segments is presented in Note 30.

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3. Significant Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and future periods if the change affects both current and future periods.

The Group believes that the following represent a summary of these significant judgments, estimates and assumptions and the related impact and associated risks in the consolidated financial statements:

Classifying Financial Instruments. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Determining Control over Investee Companies. Control over CCPC is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as at December 31, 2018 (and 2017), the Group has the ability to exercise control over its investees.

Classifying a Property. The Group determines whether a property is classified as real estate inventories, investment properties, or property and equipment:

- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are condominium units and residential properties that the Group develops and intends to sell before or on completion of construction.

- Investment properties consist of properties which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rent income and capital appreciation.

- Property and equipment are tangible items that are held for use in the production or supply of goods or services and are expected to be used for more than one period. These are properties which are owner-occupied and are substantially for use of the Group or in the operations.

Determining Reportable Operating Segments. The Group has determined that it has reportable segments based on the following thresholds:

a. Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments.

b. The absolute amount of its reported profit or loss is 10% or more, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.

c. Its assets are 10% or more of the combined assets of all operating segments.

Classifying an Operating Lease. The Group has operating lease agreements for its office building and condominium units. The Group has determined that the risks and benefits related to the leased properties are not transferred to the lessees. Accordingly, the agreements are accounted for as operating leases.

Rent income amounted to ₱13.2 million in 2018 (₱11.3 million and ₱10.1 million in 2017 and 2016, respectively) (see Note 26).

Identifying Performance Obligation. The Group has various contracts to sell covering (a) houses and lots and (b) condominium units. The Group concluded that there is one performance obligation in each of these contracts because, for houses and lots, the Group integrates the lots it sells with the associated infrastructure to be able to transfer the lot promised in the contract. For the contract covering condominium units, the Group has the obligation to deliver the condominium unit duly constructed in a specific lot and fully integrated into the land in accordance with the approved plan. Included also in this performance obligation is the Group's service to transfer the title of the real estate unit to the customer.

Assessing Recognition of Revenue and Cost. The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate sales is recognized under full accrual method.

Real estate sales amounted to ₱114.9 million in 2018 (₱69.4 million and ₱61.1 million in 2017 and 2016, respectively) (see Note 19). The related cost of real estate sold amounted to ₱50.9 million in 2018 (₱33.6 million and ₱29.0 million in 2017 and 2016, respectively) (see Note 20).

Sale of services amounted to ₱79.1 million in 2018 (₱71.0 million and ₱67.4 million in 2017 and 2016, respectively) (see Note 19). The related cost of services amounted to ₱43.4 million in 2018 (₱38.2 million and ₱33.2 million in 2017 and 2016, respectively) (see Note 20).

Assessing ECL. The Group has the following financial assets that are subject to the ECL model:

- Trade and other receivables
- Installment contract receivables

While cash and cash equivalents, loans receivables, refundable lease deposit and construction bond are also subject to the impairment requirements of PFRS 9, the assessed impairment loss is not material.

Trade and Other Receivables. The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are initially based on the Group's historical default rates. These historical default 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 macroeconomic factors (i.e. gross domestic product growth rates, foreign exchange rates, inflation rate, etc.) that are relevant, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The assessment of the correlation between historical default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. The information about the ECL on the Group's trade and other receivables is disclosed in Note 29.

Installment Contracts Receivable. The Group applies the general approach in measuring ECL which uses a 12-month or lifetime ECL for all installment contracts receivable. To measure the ECL, installment contracts receivable have been grouped based on shared credit risk characteristics and the days past due. The information about the ECL on the Group's installment contracts receivable is disclosed in Note 29.

The Group recognized impairment loss amounting to ₱3.7 million in 2018 (nil in 2017) (see Note 6). The carrying amounts of these financial assets are as follows:

Asset Type	Note	2018	2017
Cash and cash equivalents	4	**₱503,460,814**	₱264,388,005
Receivables	6	**217,253,796**	139,351,301
Refundable deposits		**2,181,837**	2,181,837
Construction bond	8	**267,336**	241,900

Estimating Fair Value of Financial Instruments. When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 28 for further disclosures.

Estimating NRV of Real Estate Inventories. The Group determines the NRV of inventories annually in accordance with the accounting policy stated in Note 2. In determining the NRV, the Group considers the current selling price of the inventories for sale and estimated costs to complete and sell. The Group writes down the carrying amount of the inventories when the NRV becomes lower than the carrying amount.

Inventories as at December 31, 2018 with cost aggregating ₱148.5 million (₱172.7 million as at December 31, 2017) are lower than their NRV (see Note 7).

Estimating Useful Lives of Property and Equipment and Investment Properties. The useful lives of the Group's property and equipment and investment properties are estimated based on the period over which the assets are expected to be available for use. The estimation of the useful lives of property and equipment and investment properties is also based on a collective assessment of industry practices, internal technical valuation and experience with similar assets. The estimated useful life is reviewed and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, or legal or other limitations on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in these factors and circumstances.

In 2018, the Group changed the estimated useful life of its investment properties and property and equipment to reflect the estimated number of years over which the Group can obtain economic benefits from these assets. The change resulted in an increase in depreciation and amortization amounting to ₱1.2 million in 2018. The carrying amounts of property and equipment and investment properties aggregated ₱1,262.5 million as at December 31, 2018 (₱969.7 million as at December 31, 2017) (see Notes 11 and 12).

Assessing Impairment of Nonfinancial Assets and Goodwill. The Group assesses impairment on its nonfinancial assets (excluding goodwill) whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Recoverable amount represents the greater of the fair value less cost to sell and the value in use.

Goodwill is tested for impairment annually and more frequently, when circumstances indicate that the carrying amount may be impaired.

No provision for impairment loss was recognized on nonfinancial assets (except investment properties) and goodwill. The carrying value of the Group's property and equipment, investment in and advances to joint ventures, other assets (excluding refundable deposits and construction bond) and goodwill aggregated ₱342.9 million as at December 31, 2018 (₱357.6 million as at December 31, 2017) (see Notes 8, 10, 12, 13 and 14).

Provision for losses on investment properties amounted to ₱25.5 million in 2018. Carrying value of investment properties, net of allowance for losses, amounted to ₱995.4 million as at December 31, 2018 (₱698.2 million as at December 31, 2017) (see Note 11).

Determining Retirement Benefits Liability. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 17 to the consolidated financial statements and include, among others, discount rates and salary increase rates.

Retirement benefits expense recognized amounted to ₱5.7 million in 2018 (₱2.1 million and ₱2.2 million in 2017 and 2016, respectively). Retirement benefits liability amounted to ₱17.0 million as at December 31, 2018 (₱13.1 million as at December 31, 2017) (see Note 17).

Assessing Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date is reviewed and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group recognized deferred tax assets amounting to ₱19.6 million as at December 31, 2018. Moreover, the Group did not recognize net deferred tax assets amounting to ₱20.9 million as at December 31, 2018 (₱28.8 million as at December 31, 2017) since the Group believes that it is not probable that sufficient future taxable profit will be available to allow all or part of the MCIT and NOLCO to be utilized within the period allowed by the tax regulations (see Note 27).

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	₱57,998	₱57,998
Cash in banks	62,135,316	34,660,007
Short-term placements	441,267,500	229,670,000
	₱503,460,814	₱264,388,005

Cash in banks earn interest at prevailing bank deposit rates.

Short-term placements are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at prevailing short-term placement rates.

Interest income was earned from the following:

	Note	2018	2017	2016
Installment contracts receivable	6	₱20,767,583	₱13,765,302	₱10,982,997
Loans receivables	6	2,202,778	1,000,000	5,582,785
		22,970,361	14,765,302	16,565,782
Cash in banks and short-term placements	23	13,839,227	3,945,796	2,887,852
		₱36,809,588	₱18,711,098	₱19,453,634

5. Investments in Quoted Shares

This account pertains to marketable equity shares that are listed and traded in the PSE and Singapore Stock Exchange. The fair value of the marketable equity securities amounted to ₱133.8 million as at December 31, 2018 (₱67.4 million as at December 31, 2017). The fair values have been determined based on closing prices at the reporting date.

Unrealized loss on changes in fair value of investments in quoted shares amounted to ₱9.3 million in 2018 (gain of ₱6.1 million and ₱2.4 million in 2017 and 2016, respectively) (see Note 23).

Realized gain on sale of investments in quoted shares amounted to ₱5.6 million in 2018 (₱3.3 million in 2017 and 2016) (see Note 23).

Dividend income earned from the securities amounted to ₱3.2 million in 2018 (₱1.7 million and ₱559,354 in 2017 and 2016, respectively) (see Note 19).

6. Receivables

This account consists of:

	Note	2018	2017
Loans receivables		₱100,000,000	₱10,000,000
Installment contracts receivable - current portion	26	21,141,427	14,633,094
Receivables from:			
Patient services		17,506,394	15,445,278
Contractors		12,929,054	12,741,843
Real estate buyers		1,826,202	2,227,085
Due from project developers		12,507,522	39,039,439
Accrued rentals	26	1,948,847	1,441,605
Interest		311,834	561,834
Others		7,125,498	4,012,733
		175,296,778	100,102,911
Allowance for impairment losses		(22,778,357)	(19,387,832)
Total current receivables		152,518,421	80,715,079
Installment contracts receivable - net of current portion	26	64,735,375	58,636,222
		₱217,253,796	₱139,351,301

Loans receivables

On July 14, 2015, the Parent Company entered into an Exchangeable Loan Agreement (the "Exchangeable Agreement") with Premiere Alliance Corporation ("Alliance"), wherein the former granted an unsecured loan facility to the latter amounting to ₱10.0 million for the purpose of acquisitions and expansion projects. A full drawdown on the loan facility was made in 2015. The loan has an annual interest rate of 8% and a term of three (3) years from the date of drawdown.

The loan has an exchangeable future which can be converted into the common shares of stock at an exchange price of ₱1.0 per share based on the Exchangeable Agreement.

In 2018, the loan and related interest were fully collected.

On September 28, 2018 and November 5, 2018, the Parent Company entered into an Omnibus Loan and Security (the "Agreement") with Blue Stock Development Holdings Inc. (BSDHI), a third party, whereby the former granted a loan facility to the latter for an aggregate amount of ₱100.0 million.

The loan is for a maximum of term of six months and bears an interest rate of 10% per annum. It is secured by a pledge over a number of common shares listed in the Philippine Stock Exchange (the "Pledged Shares") worth 200% of the loan amount, and by a surety of an individual. The Exchange Agreement stipulates that in the event that the market value of the Pledged Shares falls below 195% of the outstanding loan amount, BSDHI shall immediately pledged additional shares to restore the required collateral cover. Guild Securities, Inc. is the appointed Collateral Agent.

Movements in this account are as follows:

	2018	2017
Balance at beginning of year	₱10,000,000	₱10,000,000
Collection	(10,000,000)	–
Loans granted	100,000,000	–
Balance at end of year	₱100,000,000	₱10,000,000

Interest income earned from the loan amounted to ₱2.2 million in 2018 (₱1.0 million and ₱5.6 million in 2017 and 2016, respectively) (see Note 4).

Installment contracts receivable
Installment contracts receivable pertain to real estate sales. These are collectible in various installment periods between 1 to 10 years and earn interest per annum based on contract.

Interest income earned from installment contracts receivable amounted to ₱20.8 million in 2018 (₱13.8 million and ₱11.0 million in 2017 and 2016, respectively) (see Note 4).

Other receivables
Receivables from patient services are noninterest-bearing and are normally collectible within 30 to 60 days.

Receivables from contractors pertain to advance payments made to contractors which are fully impaired.

Receivables from real estate buyers include real property taxes paid by the Group which are chargeable to the buyers.

Due from project developers relates to collections of installment receivables by the project developer which are not yet remitted to the Group.

Details of allowance for impairment losses on receivables are as follows:

	Note	2018	2017
Balance at beginning of year		₱19,387,832	₱20,968,830
Provision	22	3,723,472	–
Reversal	23	(332,947)	–
Write-off		–	(1,580,998)
Balance at end of year		₱22,778,357	₱19,387,832

Reversal pertains to collected installment contracts receivable and cancelled contracts in 2018.

7. Inventories

This account consists of:

	2018	2017
At cost:		
Houses and lots	₱127,810,315	₱149,925,977
Condominium units and parking slots	19,547,294	21,427,294
Medical supplies	1,188,986	1,298,819
	₱148,546,595	₱172,652,090

Houses and lots pertain to units in Palma Real Residential Estates with movements as follows:

	Note	2018	2017
Balance at beginning of year		₱149,925,977	₱153,845,761
Construction cost		27,116,768	29,631,324
Recovery from cancelled contracts		821,229	–
		177,863,974	183,477,085
Cost of houses and lots sold	20	(50,053,659)	(33,551,108)
Balance at end of year		₱127,810,315	₱149,925,977

The movements of condominium units and parking slots follow:

	Note	2018	2017
Balance at beginning of year		₱21,427,294	₱23,424,270
Recovery from cancelled contracts		792,000	792,000
Additions		116,084	–
		22,335,378	24,216,270
Transfer to investment property	11	(1,792,000)	(2,788,976)
Cost of condominium units and parking lots sold	20	(880,000)	–
Transfer to property and equipment	12	(116,084)	–
Balance at end of year		₱19,547,294	₱21,427,294

Inventories charged to cost of sales and services are as follows (see Note 20):

	2018	2017
Houses and lots	₱50,053,659	₱33,551,108
Medical supplies	9,072,639	7,313,278
Condominium units and parking slots	880,000	–
	₱60,006,298	₱40,864,386

8. Other Current Assets

This account consists of:

	2018	2017
Input VAT	₱28,659,651	₱37,170,832
CWTs	18,337,134	17,905,102
Advances to officers and employees	1,234,490	953,175
Refundable deposits	1,092,231	1,092,231
Prepayments	907,289	4,973,831
Deferred input VAT	549,794	892,558
Construction bond	267,336	241,900
Others	1,318,993	2,050,270
	52,366,918	65,279,899
Allowance for impairment loss	(157,894)	(157,894)
	₱52,209,024	₱65,122,005

Input VAT pertains to VAT on the purchase of investment property, construction costs and other purchases of goods and services.

Advances to officers and employees are advances for various business-related expenses and are subject to liquidation within 30 days.

Prepayments mainly pertain to insurance and commissions.

9. Investment in Unquoted Shares

This account consists of the Parent Company's investment in the unquoted shares of stock of Asian Alliance Holdings & Development Corp. (AAHDC). The fair value amounting to ₱47.3 million as at December 31, 2018 (and 2017) has been determined based on the most recent sale/purchase transaction net of estimated cost.

Management does not have any plans to sell or dispose of the shares twelve months after December 31, 2018.

10. Assets Held for Sale

As at December 31, 2016, the Parent Company has an investment in and advances to Sky Leisure Properties, Inc. (SLPI), a Joint Venture (JV) company, aggregating ₱234.4 million, net of accumulated equity in net losses of ₱57.8 million and accumulated impairment losses of ₱126.8 million. Related subscription payable amounted to ₱42.2 million as at December 31, 2016.

In 2017, the investment in and advances to JV were classified as "Assets held for sale" and the subscription payable as "Liability directly associated with assets held for sale" in the statement of financial position because of the Parent Company's plan to divest of its entire shareholdings in SLPI. Impairment loss of ₱126.8 million as at December 31, 2016 was reversed based on the fair value of the property of SLPI using the valuations performed by an independent appraiser (see Note 23).

On April 5, 2018, the investment in SLPI was sold for ₱637.1 million resulting in a gain of ₱318.0 million (see Note 19).

11. Investment Properties

Movements in this account are as follows:

		2018			
	Note	Land	Condominium Units	Leasable Space for Ambulatory Clinic	Total
Cost					
Balance at beginning of year		₱689,018,667	₱5,145,894	₱41,889,186	₱736,053,747
Additions		322,602,860	470,842	–	323,073,702
Transfer from real estate inventories	7	–	1,792,000	–	1,792,000
Balance at end of year		1,011,621,527	7,408,736	41,889,186	1,060,919,449
Accumulated Depreciation					
Balance at beginning of year		–	92,901	7,739,274	7,832,175
Depreciation		–	258,298	1,925,493	2,183,791
Balance at end of year		–	351,199	9,664,767	10,015,966
Allowance for Losses					
Balance at beginning of year		30,052,467	–	–	30,052,467
Provision for losses	23	25,460,606	–	–	25,460,606
Balance at end of year		55,513,073	–	–	55,513,073
Carrying Amount		₱956,108,454	₱7,057,537	₱32,224,419	₱995,390,410

		2017			
	Note	Land	Condominium Units	Leasable Space for Ambulatory Clinic	Total
Cost					
Balance at beginning of year		₱688,379,381	₱2,356,918	₱41,889,186	₱732,625,485
Additions		639,286	–	–	639,286
Transfer from real estate inventories	7	–	2,788,976	–	2,788,976
Balance at end of year		689,018,667	5,145,894	41,889,186	736,053,747
Accumulated Depreciation					
Balance at beginning of year		–	3,928	5,894,727	5,898,655
Depreciation		–	88,973	1,844,547	1,933,520
Balance at end of year		–	92,901	7,739,274	7,832,175
Allowance for Losses		30,052,467	–	–	30,052,467
Carrying Amount		₱658,966,200	₱5,052,993	₱34,149,912	₱698,169,105

The Group's investment properties pertain to several parcels of land located in Taguig, Batangas and Bulacan which are held for capital appreciation. It also includes a number of dwelling units, parking slot and a leasable space for ambulatory clinic in Cypress Towers which earns rental income.

The Group had the following significant transactions affecting its investment properties in 2018 (and 2017):

Acquisition
The Group acquired a parcel of land located in Taguig for ₱322.6 million from a third party in 2018.

The unpaid balance of ₱38.4 million on the acquisitions of land as at December 31, 2018 (₱16.9 million as at December 31, 2017), is included in "Accounts payable" under "Accounts and other payables" account in the consolidated statement of financial position. The liability is noninterest-bearing and payable upon issuance of new titles by the Register of Deeds.

Transfer from Real Estate Inventories
The Group leased out to third parties condominium units in Cypress Towers with carrying cost of ₱1.8 million in 2018 (₱2.8 million in 2017).

Fair Values
The Group's investment properties have fair values aggregating ₱5,000.6 million as at December 31, 2018 (₱1,425.2 million as at December 31, 2017) based on appraisal reports dated August 14, 2018 as determined by an independent firm of appraisers. The fair values were estimated using the following approaches and assumptions:

Investment Property	Approach	Inputs and Assumptions
Land	Market Data Approach	Based on sales and listings of comparable properties within the vicinity.
Condominium units and leasable space for ambulatory clinic	Depreciated Replacement Cost	By calculating the current replacement cost of an asset less deductions for physical deterioration and all relevant forms of obsolescence

The fair values of the investment properties are categorized into Level 2 fair value hierarchy.

Provision for Losses
In 2018, the Group recognized provision for losses of ₱25.5 million to cover losses on potential claims on certain parcels of land with transfers of land titles still pending as at December 31, 2018.

Allowance for losses on investment properties amounted to ₱55.5 million as at December 31, 2018 (₱30.1 million as at December 31, 2017).

Depreciation and Amortization
Depreciation and amortization are recognized from the following:

	Note	2018	2017	2016
Property and equipment	12	₱13,439,852	₱11,186,511	₱12,663,017
Investment properties		2,183,791	1,933,520	1,848,475
		₱15,623,643	₱13,120,031	₱14,511,492

Depreciation and amortization are charged to:

	Note	2018	2017	2016
Cost of sales and services	20	₱2,114,493	₱837,684	₱1,536,370
Operating expenses	22	13,509,150	12,282,347	12,975,122
		₱15,623,643	₱13,120,031	₱14,511,492

Rent income amounted to ₱13.2 million in 2018 (₱11.3 million and ₱10.1 million in 2017 and 2016, respectively) (see Note 26).

12. Property and Equipment

Movements in this account are as follows:

		2018					
	Note	Land	Building and Building Improvements	Medical Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost							
Balance at beginning of year		₱120,132,721	₱183,154,799	₱60,520,964	₱30,887,856	₱33,069,522	₱427,765,862
Additions		–	805,252	2,157,012	4,008,928	1,919,817	8,891,009
Transfer from real estate inventories	7	–	116,084	–	–	–	116,084
Disposals		–	–	–	(30,000)	–	(30,000)
Balance at end of year		120,132,721	184,076,135	62,677,976	34,866,784	34,989,339	436,742,955
Accumulated Depreciation and Amortization							
Balance at beginning of year		–	49,809,396	55,939,402	21,044,479	29,432,040	156,225,317
Depreciation and amortization	11	–	7,056,162	898,223	3,175,373	2,310,094	13,439,852
Disposals		–	–	–	(30,000)	–	(30,000)
Balance at end of year		–	56,865,558	56,837,625	24,189,852	31,742,134	169,635,169
Carrying Amount		₱120,132,721	₱127,210,577	₱5,840,351	₱10,676,932	₱3,247,205	₱267,107,786

		2017					
		Land	Building and Building Improvements	Medical Equipment	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost							
Balance at beginning of year		₱120,132,721	₱181,636,198	₱57,064,374	₱25,172,320	₱31,560,222	₱415,565,835
Additions		–	1,518,601	3,456,590	5,715,536	1,509,300	12,200,027
Balance at end of year		120,132,721	183,154,799	60,520,964	30,887,856	33,069,522	427,765,862
Accumulated Depreciation and Amortization							
Balance at beginning of year		–	44,013,352	55,101,719	18,191,498	27,732,237	145,038,806
Depreciation and amortization	11	–	5,796,044	837,683	2,852,981	1,699,803	11,186,511
Balance at end of year		–	49,809,396	55,939,402	21,044,479	29,432,040	156,225,317
Carrying Amount		₱120,132,721	₱133,345,403	₱4,581,562	₱9,843,377	₱3,637,482	₱271,540,545

Cost of fully depreciated assets still in use amounted to ₱84.9 million as at December 31, 2018 (₱84.6 million as at December 31, 2017).

Gain on disposal of property and equipment amounted to ₱22,321 in 2018 (see Note 23).

13. Goodwill

Goodwill resulted from the acquisition of 97% ownership of HSAPI by the Parent Company in 2014. As a result of the acquisition, the Parent Company acquired control over FMCMI since the latter is a wholly-owned subsidiary of HSAPI. The goodwill arising from the acquisition amounted to ₱21.7 million.

Based on the Group's annual impairment test using a discounted cash flow model covering a five-year period, the Group has assessed that goodwill is not impaired as at December 31, 2018 (and 2017).

The principal assumptions used in determining the recoverable amount (value in use) in 2018 (and 2017) are as follows:

	2018	2017
Discount rate	5%	8%
Growth rate	12%	6%

Management determined the five-year projected cash flows based on past performance, existing contracts and expectations on market development such as average price, revenue growth range and expected costs to generate such revenue. Growth rates and operating margins used to estimate future performance are equally based on past performance and experience of growth rates and operating margins achievable in the relevant industry. The discount rate used imputes the risk of the cash-generating unit compared to the respective risk of the overall market and equity risk premium.

14. Other Noncurrent Assets

This account consists of:

	2018	2017
Deferred input VAT - net of current portion	₱2,228,718	₱2,045,093
Refundable deposits	1,089,606	1,089,606
Others	683,581	678,581
	₱4,001,905	₱3,813,280

15. Accounts and Other Payables

This account consists of:

	Note	2018	2017
Accounts payable		**₱89,033,683**	₱67,912,003
Payable to directors, officers			
and employees	24	**42,946,277**	22,608,511
Contract liabilities:			
Customers' deposits		**28,100,445**	43,350,993
Unearned revenue		**5,151,356**	9,033,739
Accrued expenses		**17,156,819**	14,296,025
Payable to non-controlling interests	24	**14,019,237**	16,875,000
Deposits for document processing		**5,960,329**	7,742,214
Statutory payable		**3,725,405**	3,767,653
Others		**5,988,255**	5,988,255
		₱212,081,806	₱191,574,393

Accounts payable are noninterest-bearing and normally settled on 30 to 60-day credit terms.

Customers' deposits represent accumulated collections from unrecognized sales under the full accrual method.

Accrued expenses consist mainly of utilities, communication, outsourced services and professional fees and are normally settled in the next financial year.

Payable to non-controlling interests represents dividends declared by CCPC and are normally settled within one year.

Deposits for document processing represent collections from customers which are intended for processing deed of sale and other documents necessary in transferring titles to real estate buyers.

Statutory payable include amounts payable to government agencies such as SSS, PhilHealth and Pag-IBIG and are normally settled in the following month.

Unearned revenues pertain to amounts received from customers in which the construction of the house has not yet commenced.

16. Loans Payable

On December 26, 2018, the Group obtained an interest-bearing loan amounting to ₱35.0 million for working capital purposes. The loan bears an annual stated interest at 7%. The interest is payable monthly while the principal is payable at maturity.

The Group settled the full amount of loan on January 4, 2019.

17. Retirement Benefits Liability

The Group values its defined benefit obligation using the projected unit credit method. This plan provides for a minimum benefit of one-half month of final salary per year of credited service. The benefit shall be payable to employees with at least five years of continuous service and attained age of:

- 60 years;
- 50 years with completion of at least 10 years of service; or
- More than 60, on a case-to-case and year-to-year extension basis, provided it shall not extend beyond 65 years.

The last actuarial valuation report obtained was in 2018.

The Group does not have a formal retirement plan. Benefit claims under that retirement benefit liability are directly paid by the Group when they become due.

Retirement benefit costs are presented as part of "Salaries, wages and other benefits" account under "Operating expenses" in the consolidated statement of comprehensive income are as follows (see Note 21):

	2018	2017	2016
Current service cost	₱2,238,493	₱1,359,659	₱1,491,196
Past service cost	2,547,729	–	–
Interest expense	916,006	711,723	666,907
	₱5,702,228	₱2,071,382	₱2,158,103

Movements in the present value of defined benefit obligations are as follows:

	2018	2017
Balance at beginning of year	₱13,137,307	₱13,355,359
Current service cost	2,238,493	1,359,659
Past service cost	2,547,729	–
Actuarial gains	(1,811,218)	(2,289,434)
Interest expense	916,006	711,723
	₱17,028,317	₱13,137,307

The principal assumptions used for the actuarial valuations were as follows:

	2018	2017
Discount rate	7.52%	5.84%
Expected rate of salary increases	7.00%	5.00%

Maturity analysis of the undiscounted benefit payments:

	2018	2017
Less than 5 years	₱6,470,354	₱6,179,611
5 years but less than 10 years	17,433,783	8,971,524
More than 10 years	624,834,377	262,359,687

The average duration of the retirement benefits liability as at December 31, 2018 is 23 years (21 years as at December 31, 2017).

Sensitivity Analysis

The sensitivity analysis on the defined benefit obligations as at December 31, 2018 below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Change in Assumption	Increase (Decrease) on Retirement Benefit Obligation
Expected salary growth rate	1%	1,362,265
Expected salary growth rate	-1%	(1,021,699)
Discount rate	0.5%	1,279,548
Discount rate	-0.5%	(126,785)

The average duration of the benefit obligation as at December 31, 2018 (and 2017) is 18 years.

Remeasurement Gain

The cumulative remeasurement gains on retirement obligation recognized in equity as at December 31 are as follows:

	Accumulated Remeasurement Gain (Loss)	Deferred Tax	Net
Balance as at January 1, 2018	₱6,878,603	₱2,063,581	₱4,815,022
Remeasurement gain	1,774,492	532,347	1,242,145
Balance as at December 31, 2018	₱8,653,095	₱2,595,928	₱6,057,167
Balance as at January 1, 2017	₱3,594,073	₱1,078,222	₱2,515,851
Remeasurement gain	3,284,530	985,359	2,299,171
Balance as at December 31, 2017	₱6,878,603	₱2,063,581	₱4,815,022
Balance as at January 1, 2016	₱2,338,377	₱701,513	₱1,636,864
Remeasurement gain	1,255,696	376,709	878,987
Balance as at December 31, 2016	₱3,594,073	₱1,078,222	₱2,515,851

18. Equity

Capital Stock

Details of the Parent Company's capital stock as at December 31, 2018 (and 2017) are as follows:

	2018		2017	
	Shares	**Amount**	Shares	Amount
Authorized				
Ordinary shares at ₱0.10 par value	24,000,000,000	₱2,400,000,000	24,000,000,000	₱2,400,000,000
Subscribed				
Balance at beginning and end of year	18,415,232,480	₱1,841,523,248	18,415,232,480	₱1,841,523,248
Less:				
Subscriptions receivable				
Balance at beginning of year		11,964,090		11,964,090
Collections		(3,750,000)		–
Balance at end of year		8,214,090		11,964,090
Balance at end of year	18,415,232,480	1,833,309,158	18,415,232,480	1,829,559,158
Treasury shares - at cost	(4,815,232,520)	(481,523,252)	(4,815,232,520)	(481,523,252)
	13,599,999,960	₱1,351,785,906	13,599,999,960	₱1,348,035,906

APIC amounted to ₱118.6 million as at December 31, 2018 (and 2017).

The total number of shareholders of the Parent Company is 365 as at December 31, 2018 (376 as at December 31, 2017).

The remaining subscriptions receivable of ₱8.2 million was collected in January 2019.

Non-controlling Interests

The Group's non-controlling interests represent 3%, 3%, 52% and 25% ownership of non-controlling interests shareholders of HSAPI, FMCMI, CCPC and PLHI, respectively. Non-controlling interests amounted to ₱152.8 million as at December 31, 2018 (₱151.3 million as at December 31, 2017).

The net income allocated to non-controlling interests amounted to ₱15.5 million in 2018 (₱7.8 million and ₱2.4 million in 2017 and 2016, respectively).

Stock Dividend

On February 26, 2019, the BOD approved the declaration of stock dividends equivalent to 10% of the outstanding capital stock to be taken from the unissued capital stock.

Financial Information of Subsidiaries

The summarized financial information of CCPC, PLHI, FMCMI and HSAPI as at and for the years ended December 31, 2018 (2017 and 2016) follows:

	2018			
	CCPC	PLHI	FMCMI	HSAPI
Total assets	₱227,656,012	₱277,683,166	₱46,555,753	₱95,892,741
Total liabilities	67,436,851	7,915,357	18,886,540	75,818,953
Total equity	160,219,161	269,767,809	27,669,213	20,073,788
Net income (loss)	29,789,847	(412,822)	2,959,800	86,014

	2017			
	CCPC	PLHI	FMCMI	HSAPI
Total assets	₱229,179,795	₱227,665,068	₱39,237,100	₱99,430,411
Total liabilities	71,772,023	7,484,438	15,011,231	79,270,609
Total equity	157,407,772	220,180,630	24,225,869	20,159,802
Net income (loss)	15,194,673	(355,597)	536,493	(55,232)

	2016			
	CCPC	PLHI	FMCMI	HSAPI
Total assets	₱235,047,906	₱277,665,068	₱39,545,788	₱99,604,380
Total liabilities	60,267,142	7,128,840	16,704,718	79,389,347
Total equity	174,780,764	270,536,228	22,841,070	20,215,033
Net income (loss)	4,700,579	(294,509)	6,390,493	(600,078)

19. Revenue

This account consists of:

		2018			
	Note	Real estate activities	Health care activities	Investing activities	Total
Recognized at a point in time:					
Gain on sale of assets held for sale	10	₱–	₱–	₱317,969,983	₱317,969,983
Real estate sales:					
Sale of houses and lots	26	112,324,408	–	–	112,324,408
Sale of condominium units and parking slots		2,575,893	–	–	2,575,893
Sale of services		–	79,050,657	–	79,050,657
Dividend income	5	–	–	3,206,819	3,206,819
Sale of goods		–	72,848	–	72,848
Recognized over time:					
Interest income	4	22,970,361	–	–	22,970,361
Rent income	26	13,180,218	–	–	13,180,218
		₱151,050,880	₱79,123,505	₱321,176,802	₱551,351,187

	Note	2017 Real estate activities	Health care activities	Investing activities	Total
Recognized at a point in time:					
Sale of houses and lots	26	₱69,427,675	₱–	₱–	₱69,427,675
Sale of services		–	71,047,245	–	71,047,245
Dividend income	5	–	–	1,696,142	1,696,142
Sale of goods		–	204,066	–	204,066
Recognized over time:					
Interest income	4	14,765,302	–	–	14,765,302
Rent income	26	11,318,984	–	–	11,318,984
		₱95,511,961	₱71,251,311	₱1,696,142	₱168,459,414

	Note	2016 Real estate activities	Health care activities	Investing activities	Total
Recognized at a point in time:					
Sale of houses and lots	26	₱61,122,951	₱–	₱–	₱61,122,951
Sale of services		–	67,414,820	–	67,414,820
Dividend income	5	–	–	559,354	559,354
Sale of goods		–	3,089,981	–	3,089,981
Recognized over time:					
Interest income	4	16,565,782	–	–	16,565,782
Rent income	26	10,121,141	–	–	10,121,141
		₱87,809,874	₱70,504,801	₱559,354	₱158,874,029

The Group's contract with customers does not provide for right of return assets and refund liabilities.

20. Cost of Sales and Services

This account consists of:

	Note	2018	2017	2016
Cost of real estate sold	7	**₱50,933,659**	₱33,551,108	₱29,001,227
Cost of services		**43,423,579**	38,154,778	33,194,634
Cost of goods sold		**34,098**	112,134	142,631
		₱94,391,336	₱71,818,020	₱62,338,492

Cost of real estate sales consists of:

	Note	2018	2017	2016
Cost of:				
Houses and lots sold	26	**₱50,053,659**	₱33,551,108	₱29,001,227
Condominium units and parking slots sold	7	**880,000**	–	–
		₱50,933,659	₱33,551,108	₱29,001,227

Cost of services consists of:

	Note	2018	2017	2016
Contracted services		**₱18,165,034**	₱17,562,980	₱15,176,544
Salaries, wages and other benefits	21	**10,139,987**	9,452,971	6,901,007
Medical supplies	7	**9,072,639**	7,313,278	7,276,174
Depreciation and amortization	11	**2,114,493**	837,684	1,536,370
Others		**3,931,426**	2,987,865	2,304,539
		₱43,423,579	₱38,154,778	₱33,194,634

Others mainly consist of utilities and on-site medical cost and various expenses that are individually insignificant.

21. Personnel Costs

Personnel costs consist of:

	Note	2018	2017	2016
Salaries and wages		**₱33,909,758**	₱32,447,267	₱28,334,052
Retirement benefit costs	17	**5,702,228**	2,071,382	2,158,103
Other employee benefits		**7,382,128**	4,905,121	3,701,296
		₱46,994,114	₱39,423,770	₱34,193,451

Personnel costs are charged to:

	Note	2018	2017	2016
Cost of services	20	**₱10,139,987**	₱9,452,971	₱6,901,007
Operating expenses	22	**36,854,127**	29,970,799	27,292,444
		₱46,994,114	₱39,423,770	₱34,193,451

Other employee benefits include the profit share of the officers of the Group.

22. Operating Expenses

This account consists of:

	Note	2018	2017	2016
Directors and officers profit-sharing remuneration	24	**₱39,785,622**	₱22,370,870	₱1,889,255
Salaries, wages and other benefits	21	**36,854,127**	29,970,799	27,292,444
Depreciation and amortization	11	**13,509,150**	12,282,347	12,975,122
Commission	26	**12,992,342**	5,271,817	4,307,040
Outside services		**7,128,768**	5,968,551	6,107,360
Taxes and licenses		**6,073,784**	5,869,753	6,459,345
Meetings and seminars		**5,417,711**	4,774,646	4,341,110
SEC filing fee		**4,848,000**	–	–

(Forward)

	Note	2018	2017	2016
Transportation and travel		₱4,652,003	₱3,579,269	₱2,905,865
Provision for impairment losses	6	3,723,472	–	–
Professional fees		3,037,766	3,763,194	4,128,765
Utilities		2,323,793	1,706,611	1,617,265
Repairs and maintenance		1,722,520	1,760,278	1,547,325
Committee meetings		1,686,000	1,960,000	2,103,000
Insurance		1,354,376	1,283,393	1,216,687
Director's fees	24	1,321,889	994,667	766,333
Supplies		1,084,071	805,258	655,824
Association dues		861,847	2,537,958	3,074,508
Postage and communication		419,958	1,079,037	1,097,409
Advertising		338,134	908,193	1,117,889
Rent		35,989	39,300	36,889
Representation and entertainment		28,751	422,448	958,655
Others		16,028,679	6,886,432	3,165,088
		₱165,228,752	₱114,234,821	₱87,763,178

Others pertain mainly to unrecoverable input VAT.

23. Other Income (Charges) - Net

This account consists of:

	Note	2018	2017	2016
Reversal of allowance (provision) for losses on:				
Investment in and advances to a joint venture	10	₱–	₱126,844,311	₱–
Investment properties	11	(25,460,606)	–	–
Receivables	6	332,947	–	(404,224)
Interest income from cash and cash equivalents	4	13,839,227	3,945,796	2,887,852
Unrealized gain (loss) on fair value changes in investments in quoted shares	5	(9,321,806)	6,052,587	2,414,547
Realized gain on sale of investments in quoted shares	5	5,611,906	3,294,213	3,278,281
Unrealized foreign exchange gain (loss)		820,203	939	(999,919)
Gain (loss) from cancelled contracts and forfeited customer deposits		325,276	2,985,362	(5,258,472)
Gain on disposal of property and equipment	12	22,321	–	–
Others		2,861,433	11,077,352	8,325,565
		(₱10,969,099)	₱154,200,560	₱10,243,630

Other income pertains to surcharge income, association dues and maintenance fees which are individually insignificant.

24. Related Party Transactions

Other than those disclosed in Note 10, the Group's significant transactions and balances with related parties as of and for the year ended December 31, 2018 (and 2017) are summarized as follows:

			Amount of Transaction		Outstanding Balance	
Related Parties	Note	Nature of Transaction	2018	2017	2018	2017
Accounts and other payables						
Non-controlling interests		Dividends	₱14,019,237	₱–		
	15	Payments	(16,875,000)	–	₱14,019,237	₱16,875,000
Directors and officers	22	Director and officers profit sharing remuneration	39,785,622	22,370,870		
	22	Director's fees	1,321,889	994,667		
		Payments	(20,774,126)	–	42,941,896	22,608,511
Guild Securities, Inc. (GSI)		Commission	375,843	79,760		
		Payments	(375,843)	(79,760)	–	–
			₱17,477,622	₱23,365,537	₱56,961,133	₱39,483,511

Terms and Conditions of Transactions with Related Parties
The directors and officers are entitled to receive profit sharing based on the performance by the Group. The transaction is unsecured, non-interest bearing and payable upon demand.

GSI, a stockholder, is also the Parent Company's broker in its trading of investments in quoted shares. Commissions charged by GSI are included as part of "Commissions" under "Operating expenses". The said transaction is unsecured, non-interest bearing and payable upon demand by the broker.

Compensation of Key Management Personnel
Compensation of key management personnel, consisting of short term salaries and government mandated benefits, amounted to ₱10.4 million in 2018 (₱9.2 million and ₱8.2 million in 2017 and 2016, respectively).

25. Earnings Per Share (EPS)

The calculation of the basic and diluted EPS is based on the following data:

	2018	2017	2016
Net income attributable to Parent Company	₱269,669,964	₱120,967,896	₱10,379,835
Weighted average number of ordinary shares outstanding	13,599,999,960	13,599,999,960	13,599,999,960
	₱0.01983	₱0.00889	₱0.00076

The weighted average number of shares refers to shares in circulation during the period that is after the effect of treasury shares.

As at December 31, 2018 (and 2017 and 2016), the Parent Company has no dilutive or potential dilutive share.

26. Significant Agreements

Operating Lease Agreements
The Parent Company leased out certain commercial spaces of its building to several parties under various operating lease agreements for periods between 1 to 10 years. All leases include an annual escalation clause based on rental rates.

Accrued rentals resulting from the recognition of rent income on a straight-line basis amounted to ₱1.9 million as at December 31, 2018 (₱1.4 million as at December 31, 2017) (see Note 6).

Security deposits amounting to ₱3.2 million as at December 31, 2018 (₱2.8 million as at December 31, 2017) are noninterest-bearing and will be refunded at the end of the lease term.

Rent income recognized amounted to ₱13.2 million in 2018 (₱11.3 million and ₱10.1 million in 2017 and 2016, respectively) (see Note 19).

Joint Operation Arrangement with Santa Lucia Realty and Development Inc. (SLRDI)
On October 23, 2003, CCPC entered into a Memorandum of Agreement (the "Agreement") with SLRDI (the "Developer") wherein CCPC shall contribute land and the improvements thereon, while the Developer shall be responsible for completing the development of the Palma Real Residential Estates project in Biñan, Laguna (the "Project") and for all expenses necessary in preparing the lots into its saleable units.

The Agreement has the following significant provisions, among others:

a. The Developer shall be solely liable for any and all expenses to be incurred in the construction and development to be introduced by SLRDI on the Project, government agency, sub-contractor, supplier or third party in connection with the development of the Project;

b. CCPC shall be paid 60% of the sales proceeds while SLRDI shall be paid 40% of the sales proceeds. CCPC and SLRDI shall shoulder the corresponding taxes of their respective share of the proceeds;

c. The proceeds from the sale of lots shall be deposited in the joint bank account of the CCPC and SLRDI; and

d. CCPC and SLRDI shall nominate a marketing manager that will handle the sale of lots in the Project. The marketing manager shall present a marketing plan to CCPC and SLRDI.

The development of the residential lots has been completed and the Project started selling lots in 2004.

The revenues and the corresponding cost of real estate sold from the joint operation arrangement with SLRDI are shown below:

	Note	2018	2017	2016
Sale of houses and lots	19	**₱112,324,408**	₱69,427,675	₱61,122,951
Cost of houses and lots sold	20	**50,053,659**	33,551,108	29,001,227

Installment contracts receivable amounted to ₱85.9 million as at December 31, 2018 (₱73.3 million as at December 31, 2017) (see Note 6). Titles to the sold condominium units, houses and lots are transferred to the buyer only upon full payment of the contract price.

Joint Operation Arrangement with DMCI

In 2005, the Parent Company and FBMCI entered into a Memorandum of Agreement (the "Agreement") with DMCI for the development and construction of three condominium buildings to be called the Cypress Towers.

The Agreement has the following significant provisions, among others:

(a) The Group and FBMCI shall contribute the land;

(b) DMCI shall be responsible for the development, construction and sale of condominium units; and

(c) The Group and FBMCI's share in the project is equivalent to 15.6% of the total condominium units and parking slots.

No revenue was recognized from the joint operation arrangement with DMCI in 2018 (2017 and 2016).

As at December 31, 2018 (and 2017), there were no outstanding contingent liabilities and commitments with respect to the joint venture agreements.

Marketing Agreement

Marketing of the projects is handled by several brokers and agents at various commission rates based on the selling price.

The Group recognized commission expense amounting to ₱12.6 million in 2018 (₱5.2 million and ₱4.2 million in 2017 and 2016, respectively).

27. Income Taxes

Components of income tax expense are as follows:

	2018	2017	2016
Current:			
Regular corporate income tax	₱8,665,496	₱5,729,375	₱4,223,592
MCIT	1,092,212	1,137,317	1,374,830
Deferred	(14,139,400)	945,776	685,060
	(₱4,381,692)	₱7,812,468	₱6,283,482

Provision for (benefit from) income tax is presented in the consolidated statement of comprehensive income as follows:

	2018	2017	2016
Profit or loss:			
Current	₱9,757,708	₱6,866,692	₱5,598,422
Deferred	(14,139,400)	945,776	685,060
Other comprehensive income -			
Deferred	543,365	–	–
	(₱3,838,327)	₱7,812,468	₱6,283,482

Deferred Taxes

The components of the Group's deferred taxes as at December 31, 2018 are as follows:

Deferred tax assets:	
Allowance for losses on:	
Investment properties	₱7,638,182
Receivables	6,833,507
Other current assets	47,368
Retirement benefits liability	5,108,495
Others	16,291
	₱19,643,843
Deferred tax liabilities:	
Excess gross profit over collections	₱5,801,747
Unrealized foreign exchange gain	246,061
	₱6,047,808

Details of unrecognized net deferred tax assets as at December 31, 2018 (and 2017) are as follows:

	2018	2017
Deferred tax assets:		
Allowance on losses on:		
Investment properties	₱9,015,740	₱9,015,740
Receivables	–	5,816,350
Other current assets	–	47,368
NOLCO	8,789,481	8,922,244
MCIT	3,013,546	2,107,382
Unearned rental income	52,230	–
Retirement benefits liability	–	3,941,192
Excess collections over gross profits	–	206,519
Others	–	16,008
	20,870,997	30,072,803
Deferred tax liability -		
Excess gross profit over collections	–	1,273,927
	₱20,870,997	₱28,798,876

The details of the Group's NOLCO, which can be claimed as deduction from future taxable income are as follows:

Inception Year	Amount	Expired/ Derecognized	Balance	Expiry Year
2018	₱416,527	₱–	₱416,527	2021
2017	27,986,987	–	27,986,987	2020
2016	894,755	–	894,755	2019
2015	859,069	(859,069)	–	2018
	₱30,157,338	(₱859,069)	₱29,298,269	

The details of the Group's MCIT, which can be claimed as deduction from future income tax liability, are as follows:

Inception Year	Amount	Applied	Expired/ Derecognized	Balance	Expiry Year
2018	₱1,092,212	₱–	₱–	₱1,092,212	2021
2017	1,137,317	–	–	1,137,317	2020
2016	784,017	–	–	784,017	2019
2015	186,048	(186,048)	–	–	2018
	₱3,199,594	(₱186,048)	₱–	₱3,013,546	

The reconciliation of income tax expense (benefit) computed at the statutory income tax rate and at effective income tax rate follows:

	2018	2017	2016
Income tax expense computed at statutory tax rate	₱84,228,600	₱40,982,140	₱5,704,797
Changes in unrecognized DTA	(9,201,806)	6,948,324	1,158,638
Excess MCIT over RCIT	1,090,354	–	–
Expired MCIT	186,048	–	–
Tax effects of:			
Income already subjected to a final tax	(82,039,447)	(2,627,318)	(864,788)
Nondeductible expenses	1,096,838	400,672	2,066,078
Expired NOLCO	257,721	161,943	94,412
Non-taxable income	–	(38,053,293)	(1,875,655)
	(₱4,381,692)	₱7,812,468	₱6,283,482

28. Fair Value of Financial Assets and Liabilities

The table below presents the carrying amounts and fair value of the Group's financial assets and financial liabilities as at December 31, 2018 (and 2017).

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents*	₱503,402,816	₱503,402,816	₱264,330,007	₱264,330,007
Receivables	217,253,796	217,253,796	139,351,301	139,351,301
Refundable deposits and construction bond**	2,449,173	2,449,173	2,423,737	2,423,737
At FVPL	133,809,204	133,809,204	67,357,783	67,357,783
At FVOCI	47,344,659	47,344,659	47,344,659	47,344,659
	₱904,259,648	₱904,259,648	₱520,807,487	₱520,807,487

(Forward)

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Accounts and other payables***	₱175,104,600	₱175,104,600	₱135,422,008	₱135,422,008
Loan payable	34,993,527	34,993,527	–	–
Security deposits	3,213,377	3,213,377	3,185,116	3,185,116
Liability directly associated with assets held for sale	–	–	42,158,700	42,158,700
	₱213,311,504	₱213,311,504	₱180,765,824	₱180,765,824

* *Excluding cash on hand*
** *Included in "Other current assets" and "Other noncurrent assets" account in the consolidated statement of financial position*
*** *Excluding customers' deposits, unearned revenues and statutory payable*

The Group has determined that carrying amounts of cash and cash equivalents, receivables, accounts and other payables (excluding customers' deposits, unearned revenues and statutory payable), loan payable and liability directly associated with assets held for sale reasonably approximate their fair values because these are mostly short term in nature.

The fair value of installment contracts receivable approximates its carrying amount as its interest rate approximates the market rate for a similar instrument.

The fair value of refundable deposits, construction bond and security deposit approximates its carrying amount. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

The fair values of investments in quoted shares are based on quoted price in active market (Level 1 hierarchy).

The fair value of investments in unquoted shares is based on the most recent sale/purchase transaction net of estimated cost using unobservable inputs (Level 3 hierarchy).

The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable. There were no transfers to other levels in 2018 (and 2017).

29. Financial Instruments Risk Management

The Group's financial assets comprise of cash and cash equivalents, receivables, refundable deposits, construction bond and investments in quoted and unquoted shares. The Group's financial liabilities comprise of accounts and other payables (excluding customers' deposits, unearned revenue and statutory payable), loans payable, security deposits and liability directly associated with assets held for sale. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are market risk, credit risk, liquidity risk, interest rate risk, and foreign currency risk. The Group's BOD and management review and approve the policies for managing each of the risks summarized below.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at December 31, 2018 (and 2017).

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant items in the statement of comprehensive income is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2018 (and 2017).

- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges and hedges of a net investment in a foreign operation at December 31, 2018 for the effects of the assumed changes of the underlying risk.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group has transactional currency exposures arising from purchase of investments denominated in currencies other than the reporting currency. The Group does not enter into forward contracts to hedge currency exposures. To mitigate the Group's exposure to foreign currency risk, foreign currency cash flows and fluctuations in the foreign exchange rates are monitored.

The carrying amounts of the Group's foreign currency denominated monetary assets are as follows:

	2018	2017
Cash and cash equivalents	**₱17,285,374**	₱28,352,982
Investments in quoted shares	**44,873,411**	34,389,918

Foreign Currency Sensitivity Analysis

The sensitivity analysis includes all of the Group's foreign currency denominated monetary assets and liabilities. A positive number indicates an increase in income before tax when the U.S. Dollar (USD) and the Singapore Dollar (SGD) strengthen by 6% and 3%, respectively, against the relevant currency. For a 6% and 3% weakening of the USD and the SGD, respectively, against the Peso, there would be an equal and opposite impact on the income before tax.

The following table demonstrates the sensitivity to a 6% and 3% change in USD and SGD exchange rates, respectively, with all other variables held constant:

	Effect on Income Before Tax	
	2018	2017
Cash and cash equivalents	**₱1,037,122**	₱1,701,179
Investments in quoted shares	**1,346,202**	1,031,698
	₱2,383,324	₱2,732,877

Equity Price Risk
Equity price risk exposure relates to fluctuation in fair values as a result of changes in market prices of financial assets at FVPL arising from factors affecting all shares of stocks traded in the market. The Group's market risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments.

The following table demonstrates the sensitivity to a reasonably possible change in the stock price of shares, with all other variables held constant, of the Group's unrealized gain and loss on investments in quoted shares:

	Listed domestic shares		Listed foreign shares	
	Change in stock price	Effect on Net Income	Change in stock price	Effect on Net Income
December 31, 2018	**13%**	**₱6,584,043**	**11%**	**₱2,784,213**
	-13%	**(6,584,043)**	**-11%**	**(2,784,213)**
December 31, 2017	17%	3,164,530	18%	3,615,394
	-17%	(3,164,530)	-18%	(3,615,394)

Credit Risk
Credit risk is the risk that a counterparty will fail to fulfill its obligations to the Group. Counterparties such as banks and customer who pay on or before due date have minimum risk exposure because default in settling its obligations is remote. The Group deals only with reputable banks and customers to limit this risk.

The table below shows the gross maximum exposure of the Group to credit risk before taking into consideration collateral and other credit enhancements:

	2018	2017
Cash in banks and cash equivalents	**₱503,402,816**	₱264,330,007
Receivables	**217,253,796**	139,351,301
Refundable deposits	**2,181,837**	2,181,837
Construction bond	**241,900**	241,900
	₱723,080,349	₱406,105,045

Maximum Exposure to Credit Risk after Credit Enhancements
Maximum exposure to credit risk of financial assets is equivalent to their carrying values except for sales contracts and rent receivable. The table below shows the maximum exposures to credit risk of the Group, after considering the effects of credit enhancements:

December 31, 2018 Credit risk exposure relating to on balance sheet assets	**Carrying Amount**	**Fair Value of Collateral or Credit Enhancement**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral or Credit Enhancement**
Installment contracts receivable	**₱85,472,578**	**₱191,967,755**	**₱–**	**₱191,967,755**
Loans receivables	**100,000,000**	**161,040,000**	**–**	**161,040,000**
	₱185,472,578	**₱353,007,755**	**₱–**	**₱353,007,755**

December 31, 2017 Credit risk exposure relating to on balance sheet assets	Carrying Amount	Fair Value of Collateral or Credit Enhancement	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Installment contracts receivable	₱73,269,316	₱149,943,874	₱–	₱149,943,874

Credit Enhancements
For installment contracts receivable, title to condominium units, houses and lots is not transferred to the buyer until full payment has been made (see Note 26).

The loans receivable are secured by a pledge over a number of common shares listed in the Philippine Stock Exchange worth 200% of the loan amount, and by a surety of an individual (see Note 6).

Risk Management. Credit risk is managed on a group basis. The Group deals only with reputable banks and customer to limit this risk. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

As at December 31, 2018 (and 2017), the amount of cash in banks and cash equivalents, refundable deposits, construction bond and advances to joint venture are neither past due nor impaired and were classified as *"High Grade"*; installment contracts receivable and trade and other receivables (excluding impairment) were classified as *"Standard Grade"*; and impaired installment contracts receivables and trade and other receivables were classified as *"Substandard Grade"*. The credit quality of such financial assets at amortized cost is managed by the Group using the internal credit quality ratings as follows:

- *High Grade.* Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and companies. Credit quality was determined based on the credit standing of the counterparty.

- *Standard Grade.* Other financial assets not belonging to high grade financial assets are included in this category.

- *Substandard Grade.* Substandard grade financial assets are those which are considered worthless. These are accounts which have the probability of impairment based on historical trend.

Impairment. For trade and other receivables, impairment analysis is performed at each reporting date using lifetime expected credit loss allowance to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and other receivables are written-off if past due for more than 360 days and are not subject to enforcement activity.

For installment contracts receivable, impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on the capacity and willingness of the client to pay. Default is defined as the failure of the client to pay or to provide alternative payment or any security mutually agreed by the parties within a certain period from the notice of dishonor of the corresponding check.

In the prior year, the impairment of trade and other receivables and installment contracts receivable was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but has not yet been identified. For these receivables the estimated impairment losses were recognized in a separate provision for impairment loss. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganization
- default or late payments (more than 30 days overdue)

Using the expected credit loss allowance, the credit risk exposure on the Group's receivables amounted to ₱3.7 million in 2018 (see Note 6).

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. It may result from either the inability to sell assets quickly at fair values or failure to collect from counterparty.

The Group's objective is to maintain a balance between continuity of funding and flexibility through related party advances and aims to manage liquidity as follows:

a. To ensure that adequate funding is available at all times;
b. To meet commitments as they arise without recurring unnecessary costs; and
c. To be able to assess funding when needed at the least possible cost.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2018 (and 2017), based on undiscounted cash flows:

	2018					
	Payable on Demand	30 Days	60 Days	90 Days	120 Days and More	Total
Accounts payable and other liabilities*	₱161,085,363	₱–	₱–	₱–	₱14,019,237	₱175,104,600
Loans payable	–	34,993,527	–	–		34,993,527
Security deposits	–	–	–	–	3,213,377	3,213,377
	₱161,085,363	₱34,993,527	₱–	₱–	₱17,232,614	₱213,311,504

**Excluding statutory payable, customers' deposits and unearned revenue aggregating ₱36,977,206 as at December 31, 2018.*

	2017					
	Payable on Demand	30 Days	60 Days	90 Days	120 Days and More	Total
Accounts payable and other liabilities*	₱118,547,008	₱–	₱–	₱–	₱16,875,000	₱135,422,008
Security deposits	–	–	–	–	2,849,292	2,849,292
Liability directly associated with asset held for sale	42,158,700	–	–	–	–	42,158,700
	₱160,705,708	₱–	₱–	₱–	₱19,724,292	₱180,430,000

**Excluding statutory payable, customers' deposits and unearned revenue aggregating ₱56,152,385 as at December 31, 2017.*

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit standing and stable capital ratios in order to support its business and maximize shareholder value. The Group maintains its current capital structure and will make adjustments, if necessary, in order to generate a reasonable level of returns to stockholders over the long term. No changes were made in the objectives, policies or processes during the year.

The Group considers the equity presented in the consolidated statement of financial position as its core capital.

The Group monitors capital using debt to equity ratio, which is total debt divided by total equity. The debt-to-equity ratio as at December 31, 2018 (and 2017), are as follows:

	2018	2017
Debt	₱273,364,834	₱251,760,747
Equity	2,137,143,805	1,861,001,497
Debt-to-Equity Ratio	0.13:1	0.14:1

The Group is not subject to any externally imposed capital requirements.

Debt is composed of all liabilities while equity includes capital stock, additional paid-in capital, retained earnings, other comprehensive income and non-controlling interests, less treasury shares.

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. The public ownership is about 53.9% as at December 31, 2018 (and 2017).

The Group reviews its capital structure on an annual basis. As part of this review, the Group considers the cost of capital and the risks associated with it.

30. Operating Segment Information

Business Segments

For management purposes, the Group is organized into three major business segments, namely real estate, healthcare services and investment holdings. These are also the bases of the Group in reporting its primary segment information.

(a) The real estate segment involves acquisition of land, planning and developing residential communities such as development and sale of condominium units and parking slots, residential lots and housing units.

(b) Healthcare services involve delivering outpatient health care services through ambulatory care centers. These include the sale of goods and services.

(c) The investment holding creates project investments and later disposes these investments after creating value. This also includes acquisition and sale of equity securities. Included in this segment are the Group's transactions or investments in associates and trading of financial assets at fair value through profit or loss.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist principally of cash and cash equivalents, receivables, inventories, property and equipment, and investment properties. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses and payable to non-controlling interests.

Financial information about reportable segments follows (in thousands):

	December 31, 2018				
	Real Estate	Healthcare Services	Investment Holdings	Eliminating Entries	Total
Segment revenue	₱153,416	₱79,124	₱841	₱–	₱233,381
Inter-segment revenue	23,453	–	267	(23,720)	–
Net revenue	₱176,869	₱79,124	₱1,108	(₱23,720)	₱233,381
Segment results					
Income before income tax	₱293,593	₱234	(₱84)	(₱12,981)	₱280,762
Provision for (benefit from) income tax	1,658	2,726	(2)	–	4,382
Net income (loss)	₱295,251	₱2,960	(₱86)	(₱12,981)	₱285,144
Total assets	₱2,663,209	₱46,556	₱117,633	(₱416,890)	₱2,410,508
Total liabilities	₱274,861	₱18,887	₱75,819	(₱96,202)	₱273,365
Additions to:					
Investment properties	₱323,074	₱–	₱–	₱–	₱323,074
Property and equipment	6,128	2,763	–	–	8,891
	₱329,202	₱2,763	₱–	₱–	₱331,965
Other information:					
Depreciation and amortization	₱11,556	₱2,851	₱1,216–	₱–	₱15,624
Impairment loss on investment properties	25,460	–	–	–	25,460
	₱37,016	2,851	₱1,216–	₱–	₱41,084

	December 31, 2017				
	Real Estate	Healthcare Services	Investment Holdings	Eliminating entries	Total
Segment revenue	₱99,830	₱71,251	₱805	(₱3,427)	₱168,459
Inter-segment revenue	22,825	–	266	(23,091)	–
Net revenue	₱122,655	₱71,251	₱1,071	(₱26,518)	₱168,459
Segment results					
Income (loss) before income tax	₱181,242	₱1,564	(₱51)	(₱45,169)	₱137,586
Benefit from income tax	(7,759)	(1,027)	(5)	–	(8,791)
Net income (loss)	₱173,483	₱537	(₱56)	(₱45,169)	₱128,795
Total assets	₱2,375,359	₱39,237	₱121,171	(₱423,005)	₱2,112,762
Total liabilities	₱259,796	₱15,011	₱79,271	(₱102,317)	₱251,761
Additions to:					
Investment properties	₱639	₱–	₱–	₱–	₱639
Property and equipment	7,610	4,590	–	–	12,200
	₱8,249	₱4,590	₱–	₱–	₱12,839
Other information -					
Depreciation and amortization	₱9,388	₱2,553	₱1,180	₱–	₱13,121

	December 31, 2016				
	Real Estate	Healthcare Services	Investment Holdings	Eliminating entries	Total
Segment revenue	₱91,017	₱67,414	₱443	₱–	₱158,874
Inter-segment revenue	9,463	–	267	(9,730)	–
Net revenue	₱100,480	₱67,414	₱710	(₱9,730)	₱158,874
Segment results					
Income (loss) before income tax	₱13,240	₱6,310	(₱51)	(₱484)	₱19,015
Benefit from income tax	(5,575)	(920)	–	213	(6,282)
Net income (loss)	₱7,665	₱5,390	(₱51)	(₱271)	₱12,733
Total assets	₱2,208,246	₱39,546	₱121,345	(₱395,405)	₱1,973,732
Total liabilities	₱235,464	₱16,705	₱79,389	(₱104,618)	₱226,940
Additions to:					
Investment properties	₱752	₱–	₱–	₱–	₱752
Property and equipment	4,402	760	156	–	5,318
	₱5,154	₱760	₱156	₱–	₱6,070
Other information -					
Depreciation and amortization	₱10,068	₱3,188	₱1,255	₱–	₱14,511

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

31. Reconciliation of Liabilities and Equity Arising from Financing Activities

The table below details changes in the Group's liabilities and equity arising from financing activities in 2018:

				Financing activities		
	Note	2017	Declaration	Payment	Proceeds/ (Collection)	2018
Loans payable		₱–	₱–	₱–	₱34,993,527	₱34,993,527
Dividends payable to non-controlling interests	15	16,875,000	14,019,237	(16,875,000)	–	14,019,237
Subscription receivable	18	11,964,090	–	–	(3,750,000)	8,214,090
		₱28,839,090	₱14,019,237	(₱16,875,000)	₱31,243,527	₱57,226,854

There were no changes in the Group's liabilities and equity arising from financing activities in 2017.

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
CROWN EQUITIES, INC. AND SUBSIDIARIES
5th Floor Crown Center, 158 Jupiter cor. N. Garcia Sts.
Bel-Air Makati City

We have audited the accompanying consolidated financial statements of CROWN EQUITIES, INC. AND SUBSIDIARIES (the "Group") as at and for the year ended December 31, 2018, on which we have rendered our report dated March 12, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has three hundred fifty-five (355) stockholders owning one hundred (100) or more shares each as at December 31, 2018.

REYES TACANDONG & CO.

WILSON P. TEO
Partner
CPA Certificate No. 92765
Tax Identification No. 191-520-944-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1614-A
Valid until March 1, 2020
BIR Accreditation No. 08-005144-014-2017
Valid until March 8, 2020
PTR No. 7334346
Issued January 3, 2019, Makati City

March 12, 2019
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
CROWN EQUITIES, INC. AND SUBSIDIARIES
5th Floor Crown Center, 158 Jupiter cor. N. Garcia Sts.
Bel-Air Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of CROWN EQUITIES, INC. AND SUBSIDIARIES (the "Group") as at and for the year ended December 31, 2018 and have issued our report thereon dated March 12, 2019.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule of Financial Soundness Indicators
- Supplementary Schedules as Required by Part II of Securities Regulation Code Rule 68, as Amended
- Conglomerate Map

These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic consolidated financial statements. The information in these supplementary schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

WILSON P. TEO
Partner
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March 12, 2019
Makati City, Metro Manila

CROWN EQUITIES, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2018

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRS Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-32	Intangible Assets - Web Site Costs			✓

CROWN EQUITIES, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2018

Retained earnings at beginning of year as shown in the separate financial statements	₱220,463,978
Net income during the year closed to retained earnings	265,873,644
Add (less):	
Unrealized loss on changes in fair value of investments in quoted shares	9,321,806
Movement in deferred tax assets	(11,418,154)
Movement in deferred tax liabilities	2,061,992
Total retained earnings available for dividend declaration at end of year	₱486,303,266

Reconciliation:	
Retained earnings at end of year as shown in the separate financial statements	₱486,337,622
Add (less):	
Unrealized loss on changes in fair value of investments in quoted shares	9,321,806
Deferred tax assets as at end of year	(11,418,154)
Deferred tax liabilities as at end of year	2,061,992
Total retained earnings available for dividend declaration at end of year	₱486,303,266

CROWN EQUITIES, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2018

Below is a schedule showing financial soundness indicators of the Group as at and for the years ended 2018, 2017 and 2016.

	2018	2017	2016
CURRENT/LIQUIDITY RATIO			
Current assets	₱990,544,058	₱1,011,517,829	₱602,260,026
Current liabilities	247,075,333	235,774,148	213,584,015
Current Ratio	4.01	4.29	2.82
SOLVENCY RATIO			
Net income (loss) before depreciation and amortization	300,767,335	141,914,696	27,243,999
Total liabilities	273,364,835	251,760,747	226,939,374
Solvency Ratio	1.10	0.56	0.12
DEBT-TO-EQUITY RATIO			
Total liabilities	273,364,835	251,760,747	226,939,374
Total equity	2,137,143,805	1,861,001,497	1,746,792,398
Debt-to-Equity Ratio	0.13	0.14	0.13
ASSET-TO-EQUITY RATIO			
Total assets	2,410,508,640	2,112,762,244	1,973,731,772
Total equity	2,137,143,805	1,861,001,497	1,746,792,398
Asset-to-Equity Ratio	1.13	1.14	1.13
PROFITABILITY RATIO			
Net income (loss) attributable to equity holders of the Parent Company	269,669,964	120,967,896	10,379,835
Average equity	1,999,072,651	1,803,896,948	1,739,965,057
Return on Equity	13.49%	6.71%	0.60%

CROWN EQUITIES, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II of SRC RULE 68 AS AMENDED
DECEMBER 31, 2018

SCHEDULE A

CROWN EQUITIES, INC. AND SUBSIDIARIES

Schedule A - Marketable Securities –
(Current Marketable Equity Securities and Other Short-Term Cash Investments)
DECEMBER 31, 2018

Name of issuing entity & association of each issue	Number of shares	Amount shown on the balance sheet
Fair Value Through Profit or Loss		
ABOITIZ POWER	25,000	₱877,500
ASIA UNITED BANK	9,000	533,700
BERJAYA PHILIPPINES INC.	15,000	67,500
BELLE CORPORATION	75	173
BOULEVARD HLDGS	10,000,000	560,000
BLOOMBERRY	7,000	65,870
BASIC ENERGY CORP	3,333	800
CEMEX HOLDINGS PHILIPPINES, INC.	250,000	475,000
COAL ASIA HOLDINGS, INC.	300,000	90,000
COSCO CAPITAL	27,000	181,170
CENTURY PROPERTIES GROUP INC.	300,000	129,000
CYBER BAY CORPORATION	1,200,000	456,000
CHINA BANKING CORPORATION	17,972	487,041
DA VINCI	10,000	65,000
DOUBLE DRAGON PROP. CORP. (PREFERRED)	23,200	2,292,160
D&L INDUSTRIES, INC.	11,000	120,780
EAGLE CEMENT	30,000	463,800
IP E-GAMES VENTURES, INC.	10,000,000	-
EXPORT AND INDUSTRY BANL, INC	3,310,000	-
EMPIRE EAST LAND INC	400,000	194,000
EMPERADOR INC.	50,000	355,500
EASTWEST BANK	61,017	726,102
FIRST GEN	40,000	799,200
GLOBAL ESTATE	1,300,000	1,469,000
GLOBE TELECOM	7,000	13,300,000
GMA NET, INC.	170,000	924,800
HOLCIM PHILIPPINES, INC	147,500	855,500
INTEGRATED MICRO	41,560	440,536
MANILA MINING	11,808,988	82,663
Manila Electric Company	1,000	380,000
Metro Retail Group Inc	35,000	87,150
MANILA JOCKEY	10,480	54,390
MANILA WATER COMPANY, INC	465,900	13,161,675
NATIONAL REINSURANCE CORP	1,310,000	1,192,100
NextGenesis Corp	15,000	-
ORIENTAL PETROLEUM AND MINERAL "A"	117,021,003	1,521,273
ORIENTAL PETROLEUM AND MINERAL "B"	30,000,000	360,000
PHIL. BUSINESS BANK	216,000	2,587,680
PETRON CORP.	164,800	1,270,608
PREMIER HORIZON	800,000	260,000
PREMIUM LEISURE CORP	300,000	240,000
PHIL. STOCK EXCHANGE	7,055	1,269,900
SFA SEMICON PHILIPPINES CORP.	90,000	126,900
TRAVELLER'S INTL HOTEL GROUP	90,000	477,900

(Forward)

Name of issuing entity & association of each issue	Number of shares	Amount shown on the balance sheet
SEMIRARA MINING	710,000	₱16,365,500
SWIFT FOODS	300,000	37,500
PILIPINAS SHELL PETROLEUM CORP.	400,000	19,100,000
SHANG PROPERTIES INC	417,277	1,301,904
SAN MIGUEL CORP	1,000	147,000
SAN MIGUEL CORP PREFERRED 2G	13,100	981,190
SPC POWER CORP	10,000	54,400
SSI GROUP, INC.	140,000	333,200
PHINMA ENERGY CORPORATION	100,000	115,000
PHINMA PETROLEUM & GEOTHERMAL, INC.	2,172	7,320
TRANSPACIFIC BROADBAND GROUP INC.	600,000	264,000
PLDT	420	472,500
UNION BANK OF THE PHILS	3,305	211,355
VULCAN INDUSTRIAL CORP	150,000	240,000
XURPAS, INC.	15,000	25,800
ZEUS HOLDINGS	1,350,000	276,750
BYD Company Limited(1211)	32,640	10,944,456
Muscle Pharm Corp	3,003	88,410
Platform Specialty Products	4,000	2,171,903
Capitaland Mall Trust	45,600	3,969,030
Singapore Telecommunications LTD.	45,000	5,077,983
Frasers Commercial Trust	170,000	8,969,756
HSBC HOLDINGS PLC	4,800	2,087,973
WESTPAC BANKING CORP	2,000	1,858,543
MAPLETREE LOGISTICS TRUST	200,000	9,705,360
		₱133,809,204

CROWN EQUITIES, INC. AND SUBSIDIARIES

Schedule C
Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
DECEMBER 31, 2018

Name of Related Parties	Balance at Beginning of Year	Balance at End of Year
Healthcare Systems Asia Phils. Inc.	₱78,443,638	₱78,443,638
Crown Central Properties, Corp	15,625,000	12,980,763
	94,068,638	91,424,401
Allowance for Impairment	(25,079,084)	(25,079,084)
	₱68,989,554	₱66,345,317

CROWN EQUITIES, INC. AND SUBSIDIARIES

Schedule D

Noncurrent Marketable Securities, Other Long-Term Investments in Stock and Other Investments DECEMBER 31, 2018

Name of issuing entity and the description of investment	Number of shares or principal amount of securities	Amount in pesos	Equity in net losses of investee for the period	Excess of equity in net loss over cost	Others	Number of shares or principal amount of securities	Amount in pesos*	Dividends received from investment not accounted by equity method
Investments at equity: Asian Alliance Holdings & Development Corp.	90,004,634 shares	₱47,344,659	–	–	–	90,004,634 shares	₱47,344,659	–

**Amount shown is part of investment in Unquoted Shares account in the consolidated statement of financial position*

CROWN EQUITIES, INC. AND SUBSIDIARIES

Schedule F
Intangible Assets - Other Assets
DECEMBER 31, 2018

Description	*Beginning balance*	*Additions at cost*	*Deductions*		*Ending balance*
			Charged to cost and expense	*Other changes, additions (deductions)*	
Goodwill	₱21,740,604	₱–	₱–	₱–	₱21,740,604

SCHEDULE J

CROWN EQUITIES, INC. AND SUBSIDIARIES

Schedule J - Capital Stock
DECEMBER 31, 2018

				Deductions		
Title of issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statement of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees**	*Others*
Common Stock	24,000,000,000	13,599,999,960	–	–	435,052,568	13,164,947,392

**Includes indirectly held but beneficially owned shares*

CROWN EQUITIES, INC. AND SUBSIDIARIES

CORPORATE STRUCTURE
DECEMBER 31, 2018