CR03842-2020

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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
   Dec 31, 2019
2. SEC Identification Number
   39745
3. BIR Tax Identification No.
   002-837-461
4. Exact name of issuer as specified in its charter
   CROWN EQUITIES, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   Crown Center, 158 N. Garcia corner Jupiter Street, Bel-Air, Makati City
   Postal Code
   1209
8. Issuer's telephone number, including area code
   (632) 8899-0081, (632) 8899-0455
9. Former name or former address, and former fiscal year, if changed since last report
   Not applicable
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	14,959,999,950

11. Are any or all of registrant's securities listed on a Stock Exchange?
    ☑ Yes ☐ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    The Philippine Stock Exchange, Inc. / Common Shares
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

1,595,072,015.81

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

Not applicable.

(b) Any information statement filed pursuant to SRC Rule 20

Not applicable.

(c) Any prospectus filed pursuant to SRC Rule 8.1

Not applicable.

Crown Equities, Inc.
CEI

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2019
Currency	Philippine Peso

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Current Assets	846,681,443	990,544,058
Total Assets	2,355,857,511	2,410,508,640
Current Liabilities	165,281,046	245,801,405
Total Liabilities	193,150,009	273,364,834
Retained Earnings/(Deficit)	387,891,854	507,951,044
Stockholders' Equity	2,162,707,502	2,137,143,806
Stockholders' Equity - Parent	2,007,156,947	1,984,364,391
Book Value Per Share	0.14	0.16

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Gross Revenue	228,999,250	231,178,426
Gross Expense	197,025,679	259,287,141
Non-Operating Income	29,374,614	317,969,983
Non-Operating Expense	15,095,278	9,099,268
Income/(Loss) Before Tax	46,252,907	280,762,000

Income Tax Expense	12,965,408	-4,381,692
Net Income/(Loss) After Tax	33,287,499	285,143,692
Net Income/(Loss) Attributable to Parent Equity Holder	15,940,808	269,669,964
Earnings/(Loss) Per Share (Basic)	0	0.01
Earnings/(Loss) Per Share (Diluted)	0	0.01

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2019	Dec 31, 2018
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	5.12	4.01
; ; Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	4.21	2.04
; ; Solvency Ratio	**Total Assets / Total Liabilities**	12.2	8.82
Financial Leverage Ratios			
; ; Debt Ratio	**Total Debt/Total Assets**	0.08	0.11
; ; Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.09	0.13
; ; Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	417.75	1,132
; ; Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.09	1.13
Profitability Ratios			
; ; Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.62	0.57
; ; Net Profit Margin	**Net Profit / Sales**	0.14	1.23
; ; Return on Assets	**Net Income / Total Assets**	0.01	0.12
; ; Return on Equity	**Net Income / Total Stockholders' Equity**	0	0.13
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	164.91	12.86

Other Relevant Information
Not applicable.

Filed on behalf by:

Name	Elmer Serrano
Designation	Corporate Information Officer

COVER SHEET

3	9	7	4	5

CROWN EQUITIES, INC.

(Company's Full Name)

CROWN CENTER, 158 N. GARCIA
CORNER JUPITER STREET
BEL-AIR MAKATI CITY
1209

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

ELMER B. SERRANO
Contact Person

(02) 8 687 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

STAMPS

Remarks = pls. Use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

AMENDED SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
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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) 8899-0081, (632) 8899-0455**
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	**14,959,999,950 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: ₱1,595,072,015.81

Table of Contents

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. and Argent Capital Holdings Corp. are 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 134 officers and staff, including 105 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, 2019, the Corporation generated aggregate revenue of ₱94.3 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 2019 having aggregate revenue of ₱79 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 Department of Health annually.

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 million in 2019 representing 34% of the group's revenues.

(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, 2019 are as follows:

Name of Company	Relationship	Nature of Transaction	2019
Federal Land, Inc.	Stockholder	Due to related parties	₱ 14.54 million

CCPC declared cash dividends to its stockholders as at December 31, 2019.

(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, 2019, 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	October – December	0.189	0.18
	July – September	0.223	0.215
	April – June	0.238	0.237
	January – March	0.27	0.23
2018	October – December	0.26	0.21
	July – September	0.28	0.21
	April – June	0.31	0.20
	January – March	0.39	0.22

As of December 27, 2019, the closing price of the Corporation's common shares was P0.188 per share.

(2) Holders

There were 365 shareholders of CEI as of December 31, 2019. The top 20 stockholders on record as of December 31, 2019 are as follows:

	NAME	CITIZENSHIP	TOTAL SHARES	%
1	PCD NOMINEE CORP.	Filipino / Others	13,943,945,409	93.2082
2	TONG, MARIE LOUISE Y.	Filipino	245,905,000	1.6438
3	TONG, ROBIN Y.	Filipino	245,905,000	1.6438
4	TONG, WELLINGTON Y.	Filipino	245,905,000	1.6438
5	DAVID GO SECURITIES, CORP.	Filipino	30,800,000	0.2059
6	GCV MANAGEMENT & CONSULTING CORPORATION	Filipino	24,085,000	0.1610
7	ACUNA, EMMANUEL E.	Filipino	20,213,600	0.1351.
8	LAY, ELLEN	Filipino	13,200,000	0.0882.
9	PINPIN, ELISA T.	Filipino	13,200,000	0.0882.
10	TRANS-ASIA SECURITIES, INC.	Filipino	12,800,000	0.0856
11	ALCANTARA, EDITHA	Filipino	8,800,000	0.0588
12	ONG, RODERICK PHILIP	Filipino	8,800,000	0.0588
13	RIEZA, RENE DANIEL S.	Filipino	8,800,000	0.0588
14	KATSUTOSHI, SHIMIZU	Filipino	6,160,000	0.0412
15	ONGSIAKO, MARGARITA	Filipino	5,438,400	0.0364
16	LEE II, ANTHONY PETER BRYAN TIONG	Filipino	5,280,000	0.0353
17	GO, GEORGE L.	Filipino	4,400,880	0.0294

18	PO, ALFONSO L. &/OR LETTY PO	Filipino	4,400,000	0.0294
19	REYES, MICHAEL	Filipino	4,400,000	0.0294
20	TE, LUIS SOW	Filipino	4,400,000	0.0294

As of December 31, 2019, the number of common shares owned and held by non-Philippine nationals is 124,676,100.

(3) Dividends

(a) On February 26, 2019, the Board of Directors declared a ten percent (10%) stock dividends to be distributed to the shareholders, subject to the necessary corporate and regulatory approvals, if any.

(b) No dividends have been declared on common shares from 2016 to 2018.

(c) 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 2019 and the comparatives presented for 2018 and 2017 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. Except for the impact of the Covid-19 pandemic, 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, 2019 and 2018

Total assets as of year-end 2019 amounted to P2.35 billion consisting of P846 million total current assets and P1.5 billion in non-current assets. Cash constitutes 15% of total assets while Investment Properties makes up 46%.

Next to Cash and Cash Equivalents of P345 million, Investment in Quoted Shares is a major component of current assets amounting to P195 million. Inventories come in third largest which is mainly composed of the house units and lot units inventory of Palma Real and a few in Cypress Towers. Receivables of P105 million include P50 million secured loan to a third party over a 6-month period earning 10% interest per annum. This loan will fall due in May 2020 and is secured by twice its value in readily tradable equity securities.

Out of the total P1.5 billion non-current assets, P1.08 billion pertains to investment properties consisting mostly of properties in Taguig, Batangas, and Bulacan. Investment properties recorded an addition of P89 million in 2019 and P322 million in 2018 due to the acquisition of a parcel of land in Taguig to make the properties contiguous.

Total liabilities amounted to P193 million of which P162 million represent customers' deposits, dividend payable to non-controlling interest, closing fees, and trade liabilities including liabilities to doctors, contractors, and suppliers.

There were no other significant movement in the equity accounts during the year except for changes in retained earnings resulting from stock dividend payment and the net income for the year.

Results of Operation

Total consolidated revenues amounted to P229 million of which P125 million or 55% came from realized real estate sales and related interest on installment contracts receivable while P79 million or 34% came from sale of medical services. Rental income and dividend income accounted for 7% and 4% of revenues, respectively.

The total revenues for 2019 was almost the same level as that of the previous year. However, revenue mix changed during the year with real estate sales dropping to 55% of total revenue while sale of medical services remained at 34%. Rental and dividend income accounted for 11% of total revenue.

Meanwhile, total costs and expenses in 2019 amounted to P197 million with direct costs decreasing by 13% to P87 million, owing to lower volume of real estate sales and sale of medical service. Direct costs for real estate sales and medical services dropped by 21% to P40 million and 4% to P47 million, respectively. General operating expenses likewise dropped from P159 million to P109 million in 2019.

Net other income for 2019 amounted to P14.3 million including interest income on loans and bank placements amounting to P23.1 million. For 2018, net other income amounted to P308.9 million including gain on sale of investment in Sky Leisure amounting to P317.97 million and provision for impairment in property amounting to P25.5 million, among others.

Net income for the year 2019 amounted to P33.4 million compared to P285.1 million in the previous year. Non-recurring items during the year 2018 significantly brought the bottom line higher.

Without the non-recurring gains and expenses, the bottom-line figures for 2018 would have been P32.4 million.

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 sale of investment in Sky Leisure Properties as reduced by the cost of the acquisition of investment property in Taguig City. Financial assets through profit or loss 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 1.11%. 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 ₱12.9million 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 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 and 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 2017.

Meanwhile, the healthcare subsidiary reported a ₱79.1 million gross revenue which is almost 11% higher than the 2017 levels.

Total costs and expenses for the year increased by 40% to ₱259.6 million due to an increase in operating expenses. Net other charges was at ₱11.0 million in 2018 primarily from the impairment losses in investment property. This eventually led to a net income after tax of ₱ 285.1 million as against a ₱128.8 million net income after tax for 2017.

Calendar Year Ended December 31, 2017 and 2016

<u>Financial Position and Changes in Financial Position</u>

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. Financial assets through profit or loss 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.

<u>Results of Operation</u>

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.

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 2019	Dec 2018	Dec 2017	
Current Ratio	5.12	4.03x	4.29x	$\frac{Current\ Assets}{Current\ Liabilities}$
Cash Ratio	2.08x	2.02x	1.11x	$\frac{Cash\ and\ Cash\ equivalents}{Current\ Liabilities}$
Debt-Equity Ratio	0.09x	0.13x	0.14x	$\frac{Total\ Liabilities}{Total\ Equity}$
Debt-Asset Ratio	0.08x	0.11x	0.12x	$\frac{Total\ Liabilities}{Total\ Assets}$
Asset-Equity Ratio	1.09x	1.13x	1.14x	$\frac{Total\ Asset}{Total\ Equity}$
Interest Coverage Ratio	418x	1,132x	Nil	$\frac{Earnings\ before\ Interest\ and\ Tax}{Interest\ Expense}$
Net Income Margin	14.5%	123.34%	84.94%	$\frac{Net\ Income}{Net\ Revenues}$
Investment Ratio	0.46x	0.41x	0.33x	$\frac{Total\ Investment\ and\ Advances}{Total\ Asset}$
Return on Assets	1.40%	12.61%	6.30%	$\frac{Net\ Income}{Average\ Total\ Assets}$
Earnings Per Share	0.00114	0.01983	0.00889	$\frac{Net\ Income\ after\ Minority\ Intere}{Total\ Shares\ Subscribed}$

Liquidity

In 2019, current ratio improved to 5.12x as of December 31, 2019 compared to 4.03x as of December 31, 2018 as cash levels decreased resulting from payment of liabilities and acquisition of some assets. Cash ratio likewise increased to 2.08x as of December 31, 2019 from 0.13x as of December 31, 2018.

Current ratio increased to 4.03x 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.

As of December 31, 2017 current ratio decreased to 4.30x 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.

Solvency/Leverage

As of December 31, 2019, debt-equity ratio decreased to 0.09x from the 0.13x as of December 31, 2018. On the other hand, debt-asset ratio slightly decreased to 0.08x from 0.11x as of December 31, 2018. Asset-equity ratio also decreased to 1.09x as of December 31, 2019 as assets were reduced to bring down liabilities. The Company has a nil interest coverage ratio as it has zero loans and therefore no interest expense was incurred in 2019.

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

Investment ratio increased to 0.46x as of December 31, 2019 from 0.41x as of December 31, 2018 due to the acquisition of additional investment property.

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

Net income for the year 2019 was lower than the previous year resulting to net income margin declining to 0.145x compared to 1.23x in 2018.

There was a substantial improvement in the net income margin at 1.23x in 2018 compared to 0.84x 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

There was a significant decrease in net income as of December 31, 2019 resulting to a lower return on assets at 1.4% from 12.61% as of December 31, 2018.

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 decrease in the Company's profitability for the year ended December 31, 2019, income per share is lower at ₱0.00114 compared to ₱0.01983 as of December 31, 2018.

Earnings per share increased to ₱0.01983 as of December 31, 2018 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 P125.3 million. The healthcare business, on the other hand, generated P78.9 million during the year from the previous year's P79.1 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 P120 million revenues in 2019 accounting for 52% 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.

Except for the impact of the COVID-19 pandemic on its businesses which at this point cannot be reasonably estimated, the Corporation 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. Except for the impact of the COVID-19 pandemic on its businesses which at this point cannot be reasonably estimated, 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 "Financial Assets at Fair Value through Profit and Loss" 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 2019 and is also being considered to handle the independent audit of the Corporation for year 2020. R.G. Manabat & Co. previously handled the independent audit of the Corporation from 2016-2017. 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 P1.2 million in 2019 and P1.0 million in 2018. 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. Rodolfo 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, 78 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, 75 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, 76 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, 74 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, 52 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, 52 years old, Filipino, has been a member of the Board of Directors of the Corporation since May 2003. He is the First Vice President for Finance 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. Romuald Dy Tang, 68 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, 68 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, 48 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, 35 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.

Nixon Y. Lim, 50 years old, Filipino, graduated B.S Physics at University of St. La Salle, Manila in 1991. He is the President of Greenstone Packaging Corporation, Lamitek Systems, Inc. and Greenkraft Corporation. In addition, he is also the President of GreenSiam Resources Corporation, Steniel Mindanao Packaging Corporation and Chairman of Steniel Manufacturing Corporation.

Atty. Rodolfo B. Fernandez, 63 years old, Filipino, is an independent director of the Corporation. Atty. Fernandez currently sits on the board of Reference Group Financial Services, Inc, and Luzon Dvelopment Bank as independent director. He is also director and corporate secretary at The Organization of Property Stakeholders and legal consultant/adviser at Chamber of Thrift Banks. He was formerly Chief Compliance and AMLA Officer at BPI Family Savings Bank; Head of Compliance and Legal at BPI Asset Management and Trust Group (AMTG) and BPI Mutual Fund Companies; Head of the BPI Account Management 4; 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.

Mr. Reynaldo V. Reyes, 77 years old, is an independent director of the Corporation. Mr. Reyes spent his most productive years as a military serviceman from age 17 to compulsory retirement at age 56. He served as a PAF line pilot, Squadron Commander, Wing Commander and went on to become Air Division Commander stationed in Zamboanga, Mindanao after which he was placed in command of the Western Command (WESCOM) in charge of Palawan and the West Philippine Sea. He had modest exposure in business management while detailed at the Defense Department as head of the Defense Management Division and Deputy Assistant Secretary for Comptrollership. There he served in concurrent capacity as Senior Vice President of the AFP pension fund performing a wide range of functions from lending, treasury management and managing property holdings of the fund. He was a member of the Philippine Stock Exchange from 1999 to 2006, being then the Chairman and President of stock brokerage firm Public Securities Corporation. He was at the same time President and CEO of an investment house, Resources and Investments Corporate House Inc. (RICH). He served as Director of the Securities Clearing Corporation (SCCP), and also as member of the PSE Listing Committee. He currently serves as an independent director of Bob Garon and Vandevoort Consultancy Incorporated (BGVCI). Mr. Reyes graduated from the Philippine Military Academy in 1964 with a Bachelor's Degree. His in-service career training included courses in Resource Management at the US Naval Post Graduate School in Monterey, USA; Industrial College of the US Armed Forces; Command and Staff Course at the Air University, Montgomery, Alabama, USA and ADMU MBA off-campus course.

Mr. Emilio S. De Quiros, Jr., 70 years old, is an independent director of the Corporation. Mr. De Quiros is the Chairman of Belle Corporation since April 23, 2018. He has served as a Director of the Belle Corp. since September 2010 and served as Chairman of the

Board from August 2016 until April 2017. He was re-elected as a Non-Executive Director on December 4, 2017, and re-appointed as Chairperson on April 23, 2018. He is also an independent director of Atlas Consolidated Mining and Development Corporation and an independent director of RCBC Savings Bank. He was previously the President and Chief Executive Officer of the Social Security System (SSS) and also served as a Director of UnionBank of the Philippines and Philhealth Insurance Corporation. Prior to his appointment as President of SSS, he served as Executive Vice President of Bank of the Philippine Islands and President of Ayala Life Insurance Inc., Ayala Plans Inc. and a director of BPI Bancassurance, Inc. Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and holds a Master of Arts in Economics degree from University of the Philippines.

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 2019, 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:

<table>
<tr><th colspan="6">COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS</th></tr>
<tr><th>Name and Principal Position</th><th>Year</th><th>Salary/Fees</th><th>Bonus</th><th>Other Annual Compensation</th><th>Total</th></tr>
<tr><td rowspan="3">Compensation of Executive Officers*
George L. Go, Chairman
Romuald U. Dy Tang, President
Eugene B. Macalalag, First Vice President
Antonio B. Alvarez, Treasurer</td><td>2020 (Est.)</td><td>P5.00 million</td><td>P2.50 million</td><td></td><td>P7.50 million</td></tr>
<tr><td>2019</td><td>P5.34 million</td><td>P23.75 million</td><td></td><td>P29.09 million</td></tr>
<tr><td>2018</td><td>P4.87 million</td><td>P14.45 million</td><td></td><td>P19.32 million</td></tr>
<tr><td>All Other Directors and Officers as a</td><td>2020 (Est.)</td><td>P6.20 million</td><td>P1.50 million</td><td></td><td>P7.70 million</td></tr>
</table>

Group	2019	P6.90 million	P16.03 million		P22.93 million
	2018	P4.15 million	P3.80 million	-	P7.95 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, 2019, 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	13,943,945,409	93.2082%

[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	6,469,241,967	43.2436%
First Orient Securities, Inc. (Filipino) Unit 1709 7th Floor, Philippine Stock Exchange Tower, 5th Avenue cor. 281th Street Bonifacio Global City, Taguig City	3,170,517,442	21.1933%
Marian Securities, Inc. (Filipino) Unit 1710-1711, 7th Floor, Philippine Stock Exchange Tower, 5th Avenue cor. 281th Street Bonifacio Global City, Taguig City	1,074,772,600	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, 2019 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	404,448,000 d	Filipino	2.700%
Common Shares	Patrick D. Go	200,035,000 db1	Filipino	1.327%
Common Shares	George L. Go	150,645,880 db2	Filipino	1.007%
Common Shares	Wilfrido V. Vergara	24,833,600 db4	Filipino	0.166%
Common Shares	Ramon A. Recto	11,968,000 db3	Filipino	0.080%
Common Shares	Reynaldo V. Reyes	550,000 d	Filipino	0.003%
Common Shares	Conrado G. Marty	88,008 d	Filipino	0.001%
Common Shares	Christopher Brian C. Dy	22,000 d	Filipino	nil
Common Shares	Salvador P. Escano	11,000 d	Filipino	nil
Common Shares	Melvin O. Vergara	11,000 d	Filipino	nil
Common Shares	Emilio S. De Quiros, Jr.	11,000 d	Filipino	nil
Common Shares	Rodolfo B. Fernandez	88 d	Filipino	nil
	B. Executive Officers			

Common Shares	Antonio B. Alvarez		195,360 [d]	Filipino	0.001%
Common Shares	Romuald Dy Tang		85,992,000[db5]	Filipino	0.57%
Common Shares	Eugene B. Macalalag		8,280,088[db6]	Filipino	0.050%
		C. **<u>All Directors and Officers as a Group</u>**	887,091,024		5.81%

[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, 2019

Date of Disclosure	Subject
May 7, 2019	Results of the annual and organizational Board meeting of Crown Equities held on May 7, 2019 at the Dasmarinas Room, Makati Sports Club, 1227 L.P. Leviste Street, Salcedo Village, Makati City.
August 20, 2019	Results of the regular Board meeting of Crown Equities held on August 20, 2019 at Crown Center, 158 Jupiter cor. N. Garcia Sts., Makati City. 1. Record date of Stock Dividend Declaration set on September 6, 2019. 2. Payment date of Stock Dividend Declaration set on September 30, 2019.
October 23, 2019	Material Related Party Transactions Policy

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 Pasig

By:

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

SUBSCRIBED AND SWORN to before me this JUN 29 2020 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. 123 ;
Page No. 26 ;
Book No. III ;
Series of 2020.

GINO PAULO O. UY
Appointment No. 170 (2019-2020)
Notary Public
Pasig City, Pateros and San Juan
Until December 31, 2020
Attorney's Roll No. 61567
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 6445319; 01.02.20; Pasig City
IBP Receipt No. 089190; 01.02.20; RSM
MCLE Compliance No. VI-0011985; 4.14.22

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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, 2019 and 2018, 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 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.

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.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, 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 MAY 29 2020 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

GINO PAULO O. UY
Appointment No. 170 (2019-2020)
Notary Public
Pasig City, Pateros and San Juan
Until December 31, 2020
Attorney's Roll No. 64567
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR Receipt No. 6445319; 01.02.20; Pasig City
IBP Receipt No. 089190; 01.02.20; RSM
MCLE Compliance No. VI-0011985; 4.14.22

Doc. No. 374
Page No. 76
Book No. II
Series 2020

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 and 2018

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	3	8	7	4	5

C O M P A N Y   N A M E

CROWN EQUITIES, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
cei@crownequitiesinc.com	(632) 8-899-0081	–

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) 8-899-0081	–

CONTACT PERSON'S ADDRESS

Crown Center, 158 Jupiter Corner N. Garcia St., 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.*

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 statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years 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, 2019 and 2018, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits 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. We have determined that there are no such matters to report.

Emphasis of Matter – Events After the Reporting Period

We draw attention to Note 32 to the consolidated financial statements which describes the uncertainty related to the impact of the novel coronavirus ("COVID-19") pandemic to the Group's financial position and results of operations. Notwithstanding the situation, management believes that with the Group's strong financial condition and ability to obtain funding, the Group can continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2017 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, 2019, 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, 2019 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 audits 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. 92765-SEC Group A
Valid until January 22, 2025
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8116482
Issued January 6, 2020, Makati City

April 13, 2020
Makati City, Metro Manila

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱343,966,400**	₱503,460,814
Receivables	5	**105,035,689**	152,518,421
Investments in quoted shares	6	**195,597,395**	133,809,204
Inventories	7	**150,147,431**	148,546,595
Other current assets	8	**51,934,528**	52,209,024
Total Current Assets		**846,681,443**	990,544,058
Noncurrent Assets			
Installment contracts receivable - net of current portion	5	**77,734,875**	64,735,375
Investment in unquoted shares	9	**47,344,659**	47,344,659
Investment properties	11	**1,083,217,004**	995,390,410
Property and equipment	12	**255,415,444**	267,107,786
Goodwill	13	**21,740,604**	21,740,604
Deferred tax assets	27	**20,782,966**	19,643,843
Other noncurrent assets	14	**2,940,516**	4,001,905
Total Noncurrent Assets		**1,509,176,068**	1,419,964,582
		₱2,355,857,511	₱2,410,508,640
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	15	**₱162,269,220**	₱210,807,878
Income tax payable		**3,011,826**	–
Loans payable	16	**–**	34,993,527
Total Current Liabilities		**165,281,046**	245,801,405
Noncurrent Liabilities			
Retirement benefits liability	17	**18,142,561**	17,028,317
Security deposits	26	**2,892,221**	3,213,377
Deferred tax liabilities	27	**6,834,181**	7,321,735
Total Noncurrent Liabilities		**27,868,963**	27,563,429
Total Liabilities		**193,150,009**	273,364,834

(Forward)

	Note	December 31 **2019**	2018
Equity	18		
Capital stock		**₱1,977,523,246**	₱1,833,309,158
Additional paid-in capital (APIC)		**118,570,274**	118,570,274
Retained earnings		**387,891,854**	507,951,044
Other comprehensive income	17	**4,694,824**	6,057,167
		2,488,680,198	2,465,887,643
Treasury shares		**(481,523,251)**	(481,523,251)
Equity Attributable to Equity Holders of the Parent Company		**2,007,156,947**	1,984,364,392
Non-controlling interests	18	**155,550,555**	152,779,414
Total Equity		**2,162,707,502**	2,137,143,806
		₱2,355,857,511	₱2,410,508,640

See accompanying Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(With Comparative Figures for 2017)

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUE	19			
Real estate sales		**₱105,768,795**	₱114,900,301	₱69,427,675
Sale of services		**78,894,579**	79,050,657	71,047,245
Interest income from installment contracts receivable	4	**19,526,978**	20,767,583	13,765,302
Rental income	26	**15,624,740**	13,180,218	11,318,984
Dividend income	6	**9,176,819**	3,206,819	1,696,142
Others		**7,339**	72,848	204,066
		228,999,250	231,178,426	167,459,414
DIRECT COSTS	20	**87,433,094**	100,071,663	77,176,437
GROSS INCOME		**141,566,156**	131,106,763	90,282,977
SELLING AND ADMINISTRATIVE EXPENSES	21	**(109,592,585)**	(159,215,478)	(108,876,404)
GAIN ON SALE OF ASSETS HELD FOR SALE	19	–	317,969,983	–
OTHER INCOME (CHARGES) - Net	23	**14,279,336**	(9,099,268)	155,200,560
INCOME BEFORE INCOME TAX		**46,252,907**	280,762,000	136,607,133
PROVISION FOR (BENEFIT FROM) INCOME TAX	27			
Current		**13,993,160**	9,757,708	6,866,692
Deferred		**(1,027,752)**	(14,139,400)	945,776
		12,965,408	(4,381,692)	7,812,468
NET INCOME		**33,287,499**	285,143,692	128,794,665
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits, net of tax effect of ₱598,925 and ₱543,365 in 2019 and 2018, respectively (₱981,186 in 2017)	17	**(1,397,493)**	1,267,853	2,289,434
TOTAL COMPREHENSIVE INCOME		**₱31,890,006**	₱286,411,545	₱131,084,099
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	25	**₱15,940,808**	₱269,669,964	₱120,967,896
Non-controlling interests		**17,346,691**	15,473,728	7,826,769
		₱33,287,499	₱285,143,692	₱128,794,665

		Years Ended December 31		
	Note	**2019**	2018	2017
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱14,578,465**	₱270,912,109	₱123,267,067
Non-controlling interests		**17,311,541**	15,499,436	7,817,032
		₱31,890,006	₱286,411,545	₱131,084,099
BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	25	**₱0.00114**	₱0.01983	₱0.00889

See accompanying Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(With Comparative Figures for 2017)

	Note	Years Ended December 31		
		2019	2018	2017
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Capital Stock	18			
Balance at beginning of year		**₱1,833,309,158**	₱1,829,559,158	₱1,829,559,158
Stock dividends		**135,999,998**	–	–
Collection of subscriptions receivable		**8,214,090**	3,750,000	–
Balance at end of year		**1,977,523,246**	1,833,309,158	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		**507,951,044**	238,281,080	117,313,184
Stock dividends	18	**(135,999,998)**	–	–
Net income		**15,940,808**	269,669,964	120,967,896
Balance at end of year		**387,891,854**	507,951,044	238,281,080
Other Comprehensive Income				
Not to be reclassified to profit or loss in subsequent periods	17			
Balance at beginning of year		**6,057,167**	4,815,022	2,515,851
Other comprehensive income (loss)		**(1,362,343)**	1,242,145	2,299,171
Balance at end of year		**4,694,824**	6,057,167	4,815,022
Treasury Shares	18	**(481,523,251)**	(481,523,251)	(481,523,251)
		2,007,156,947	1,984,364,392	1,709,702,283
NON-CONTROLLING INTERESTS				
Balance at beginning of year		**152,779,414**	151,299,215	160,357,183
Total comprehensive income attributable to non-controlling interests		**17,311,541**	15,499,436	7,817,032
Dividends declared by a subsidiary		**(14,540,400)**	(14,019,237)	(16,875,000)
Balance at end of year		**155,550,555**	152,779,414	151,299,215
		₱2,162,707,502	₱2,137,143,806	₱1,861,001,498

See accompanying Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(With Comparative Figures for 2017)

	Note	**Years Ended December 31**		
		2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱46,252,907**	₱280,762,000	₱136,607,133
Adjustments for:				
Interest income from:	4			
Cash in banks and short-term placements		**(18,351,092)**	(13,839,227)	(3,945,796)
Loans receivable		**(4,749,802)**	(2,202,778)	(1,000,000)
Depreciation and amortization	11	**15,193,695**	15,623,643	13,120,031
Unrealized loss (gain) on changes in investments in quoted shares	6	**13,996,062**	9,321,806	(6,052,587)
Dividend income	6	**(9,176,819)**	(3,206,819)	(1,696,142)
Retirement benefits	17	**2,617,826**	5,702,228	2,071,382
Unrealized foreign exchange loss (gain)	23	**1,099,216**	(820,203)	(939)
Provision (reversal of allowance) for impairment losses on:				
Receivables	5	**372,519**	3,390,525	–
Investment in and advances to a joint venture	10	**–**	–	(126,844,311)
Interest expense	16	**110,984**	248,194	–
Provision for losses	11	**–**	25,460,606	–
Gain on:				
Sale of assets held for sale	10	**–**	(317,969,983)	–
Disposal of property and equipment	12	**–**	(22,321)	–
Operating income before working capital changes		**47,365,496**	2,447,671	12,258,771
Decrease (increase) in:				
Receivables		**(15,889,287)**	8,706,980	9,236,555
Investments in quoted shares		**(75,803,886)**	(75,283,793)	(19,284,213)
Inventories		**(1,600,836)**	22,197,411	3,881,870
Other assets		**6,588,157**	13,156,388	(5,307,266)
Increase (decrease) in:				
Accounts and other payables		**(49,059,821)**	23,363,176	8,263,963
Security deposits		**(321,156)**	364,085	242,000
Net cash generated from (used for) operations		**(88,721,333)**	(5,048,082)	9,291,680
Interest received		**23,100,894**	16,042,005	5,924,356
Income taxes paid		**(16,233,606)**	(12,230,795)	(7,527,253)
Dividends received		**9,176,819**	3,206,819	1,696,142
Contribution to plan asset	17	**(3,500,000)**	–	–
Net cash flows from operating activities		**(76,177,226)**	1,969,947	9,384,925

(Forward)

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Collection of loans receivable	5	**₱150,000,000**	₱10,000,000	₱–
Loans extended to a third party	5	**(100,000,000)**	(100,000,000)	–
Acquisitions of:				
Investment properties	11	**(89,682,651)**	(323,073,702)	(639,286)
Property and equipment	12	**(1,645,296)**	(8,891,009)	(12,200,027)
Proceeds from:				
Sale of assets held for sale	10	**–**	637,094,150	–
Sale of property and equipment	12	**–**	22,321	–
Net cash flows from investing activities		**(41,327,947)**	215,151,760	(12,839,313)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans payable and interest		**(265,104,511)**	(20,248,194)	–
Dividends to non-controlling interests	24	**(14,019,237)**	(16,875,000)	–
Proceeds from availment of loans	16	**230,000,000**	54,993,527	–
Collection of subscriptions receivable	18	**8,214,090**	3,750,000	–
Net cash flows from financing activities		**(40,909,658)**	21,620,333	–
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(1,079,583)**	330,769	939
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(159,494,414)**	239,072,809	(3,453,449)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**503,460,814**	264,388,005	267,841,454
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱343,966,400**	₱503,460,814	₱264,388,005

SUPPLEMENTARY INFORMATION ON NONCASH FINANCING AND INVESTING ACTIVITIES				
Stock dividends	18	**₱135,999,998**	₱–	₱–
Dividends payable to non-controlling interests	24	**14,540,400**	14,019,237	16,875,000
Transfer from real estate inventories to:				
Investment properties	7	**–**	1,792,000	2,788,976
Property and equipment	7	**–**	116,084	–

		Years Ended December 31		
	Note	**2019**	2018	2017
COMPONENTS OF CASH AND CASH EQUIVALENTS	4			
Cash on hand		**₱54,998**	₱57,998	₱57,998
Cash in banks		**18,306,402**	62,135,316	34,660,007
Short-term placements		**325,605,000**	441,267,500	229,670,000
		₱343,966,400	₱503,460,814	₱264,388,005

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(With Comparative Figures and Information for 2017)

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 registration was extended for another 50 years in 2018. 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 on the Philippine Stock Exchange (PSE).

The Parent Company's registered office address is located at the 5th 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, 2019 and 2018:

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
Argent Capital Holdings Corporation (ACHC) [(c)]	100%	Holding	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 (BOD) (see Note 3).

(b) Indirectly owned through HSAPI.

(c) Newly incorporated in 2019.

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, 2019 and 2018, 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.

ACHC. ACHC was incorporated and registered with the SEC on August 28, 2019 and is engaged in investment activities. The Parent Company subscribed to 25.0 million shares of ACHC at ₽1.00 par value a share. As at December 31, 2019, ACHC is yet to start commercial operations.

Approval of Consolidated Financial Statements
The consolidated financial statements as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issuance by the BOD on April 13, 2020.

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 and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations on 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 except for investments in quoted shares designated at fair value through profit or loss (FVPL) and investment in unquoted shares designated at fair value through other comprehensive income (FVOCI). 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 3 - Significant Judgments, Estimates and Assumptions
- Note 6 - Investment in Quoted Shares
- Note 9 - Investment in Unquoted Shares
- 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 new and amended standards which the Group adopted effective January 1, 2019:

- PFRS 16, *Leases* – PFRS 16 replaced PAS 17, Leases, Philippine Interpretation on 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 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – 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, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

  The Group adopted PFRS 16 using the full retrospective method of adoption. Accordingly, the accounting policy is applied to comparative information.

- Philippine Interpretation on IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the “solely payments of principal and interest” criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at FVOCI).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures* - The amendments require entities to use PFRS 9 in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.

- Annual Improvements to PFRS 2015 to 2017 Cycle -

  Amendments to PAS 12 - *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends is recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRSs did not have any material effect on the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements as necessary.

Amended PFRSs Issued But Not Yet Effective

Relevant amended PFRSs, which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRSs. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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 amended PFRSs is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements as necessary.

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 reassesses 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, PLHI, 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 selling and administrative 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

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.

As at December 31, 2019 and 2018, the Group does not have financial liabilities at FVPL.

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.

As at December 31, 2019 and 2018, the Group designated its investments in quoted shares as financial assets at FVPL.

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, 2019 and 2018, the Group's cash and cash equivalents, receivables, refundable deposits and construction bond (both presented under "Other assets") are classified under this category.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and which are subject to an insignificant risk of changes in value.

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 other comprehensive income 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 other comprehensive income 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, even if the asset is sold or impaired. The cumulative fair value adjustment is transferred to retained earnings when the asset is sold.

As at December 31, 2019 and 2018, the Group designated its investment in unquoted shares as financial asset at FVOCI.

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, 2019 and 2018, the Group’s accounts and other payables (excluding contract liabilities, deposits for document processing, statutory payable and unearned rental income), loans payable and security deposits are classified under this category.

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 other comprehensive income.

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 other comprehensive income 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
The Group records an allowance for ECL which 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 receivables (excluding installment contracts receivable), the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. 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 installment contracts receivable and other financial assets at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that results 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

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.

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

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.

Inventories
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 constructed houses, lots and condominium and parking units which are 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. Cost represents purchase price determined using first-in, first-out method. NRV is the current replacement cost.

At each reporting date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its NRV. The impairment loss is recognized immediately in profit or loss.

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the year when the related revenue is recognized.

Investment Properties
Investment properties are properties held either to earn rental 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.

Transfers are made to investment properties 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 properties 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.

Investment properties are derecognized when either these 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.

Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any 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.

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.

<u>Other Assets</u>

Creditable withholding taxes (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 with certificates of creditable tax withheld at source. CWTs are stated at face amount less any impairment in value.

Value-added Tax (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".

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 will be charged to appropriate asset or expense account upon liquidation. These are measured at transaction amount, less any impairment in value.

Prepayments. Prepayments are expenses paid in advance and recorded as assets based on the amount paid 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.

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.

<u>Interest in a Joint Operation and Joint Venture</u>

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 statement 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.

Assets Held for Sale

Noncurrent assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be primarily recovered 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.

Investment in and advances to SLPI, a JV company is classified under assets held for sale.

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.

Employee Benefits

Short-term Benefits. Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits.

Long-term Benefits. 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.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The net retirement benefits liability recognized by the Group is the present value of the defined benefit obligation reduced by the fair value of plan asset. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of 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.

<u>Equity</u>

Capital Stock and APIC. Capital stock is measured at par value for all shares subscribed and/or 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. Excess of proceeds or fair value of the consideration received over par value is 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.

Dividend Distribution. Dividends are recognized as a liability and deducted from equity when declared by the BOD and the shareholders of the Group. Dividends for the year that are declared after the reporting date are dealt with as an event after the reporting date.

Other Comprehensive Income. This pertains to the accumulated remeasurement gain or 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 income 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>Revenue 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 literatures issued related to PFRS 15, *Revenue from Contract with Customers,* which will be adopted by the Group when they become effective, are as follows:

- Philippine Interpretations Committee 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 (POC), for a period of three years. This deferral will only be applicable for real estate transactions.

- SEC Memorandum Circular No. 4, Series of 2020, Deferment of the Implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23-Borrowing Cost) For Real Estate Industry – The Circular provides relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on over time transfer of constructed goods until December 31, 2020.

Effective January 1, 2021, companies engaged in the real estate industry will adopt the interpretations and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

Had these specific provisions been adopted, the impact on the consolidated financial statements would have been the mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings and revenue from real estate sales as at and for the year ended December 31, 2019 and 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.

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.

  The collectibility of the sales price is considered reasonably assured when a substantial portion of the contract price is received and continuing payment is made by the buyer giving the buyer a substantial stake in the property sufficient to motivate the buyer to fulfill its purchase commitment.

Revenue from sales of completed real estate projects is generally accounted for using the full accrual method.

Pending recognition of sale, cash received from buyers are presented as "Contract liabilities" account in the consolidated statement of financial position. Collections for processing of deed of sale and other documents necessary in transferring titles to real estate buyers are presented as "Deposits for document processing" under "Accounts and other payables" 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 "Unearned rental income" in "Accounts and other payables" 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.

<u>Contract Balances</u>

- *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 a consideration in exchange for goods or services transferred to a 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, 2019 and 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 a 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 as the Group performs its obligation under the contract. Contract liabilities also include payments received by the Group from 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, 2019 and 2018, the balances of contract liabilities are disclosed in Note 15.

- *Cost to Obtain a Contract.* If the Group expects to recover the incremental costs of obtaining a contract with a customer, the costs are recognized as an asset. 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 "Selling and administrative expenses" account in the consolidated statement of comprehensive 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 these criteria requires the application of judgment, 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.

  As at December 31, 2019 and 2018, the Group does not have cost to obtain a contract and contract fulfillment asset.

<u>Cost and Expense Recognition</u>
Costs and 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.

Selling and Administrative Expenses. Selling and administrative expenses constitute costs incurred to sell and market the goods and costs of administering the business. These are recognized as expense in the period when these are incurred.

Interest Expense. Interest expense is recognized as it accrues on a time proportion basis using the effective interest method.

Foreign Currency Transactions and Translation

Transactions in currencies other than Peso are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the year such are realized.

Leases

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and

ii. the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

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 future taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized within the period allowed by the tax regulations.

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 within the period allowed by the tax regulations. 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 and tax laws 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.

Related Party Relationships and Transactions

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.

Related party transactions are considered material and/or significant if (i) these transactions amount to 10% or higher of the Group's total assets or, (ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed by independent directors in accordance with the Group's related party transactions policy.

Provisions

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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
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.

Events after the Reporting Date
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.

Earnings Per Share (EPS)
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.

Operating Segments
For management purposes, the Group is divided into operating segments per products/services, (real estate, healthcare services, and investment holdings) according to the nature of the products and services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's chief operating decision maker. Financial information on operating segments is presented in Note 30.

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. In particular, the COVID-19 pandemic and the resulting adverse effects to the global economic conditions, as well as to the Group's operations, may impact future estimates including, but not limited to, the allowance for ECL, valuation of inventories, fair value measurements, impairment of nonfinancial assets, deferred tax assets valuation, actuarial losses on retirement benefit plans and discount rate assumptions.

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 classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

Management has determined that the Group's investments in quoted shares are acquired principally for the purpose of selling in the near term; hence, the Group classified its investment as financial asset at FVPL.

Management has determined that the Group's investments in unquoted shares is to be held indefinitely and will be sold in response to liquidity requirements; hence, the Group classified its investment as financial asset at FVOCI.

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 rental 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.

Assessing Contingencies. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no liability for probable losses arising from contingencies was recognized in the consolidated financial statements as at December 31, 2019 and 2018.

Classifying Lease Commitments. Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The Group has entered into lease agreements for its office building and condominium units. The Group has determined, based on the evaluation of terms and conditions of agreement, that the lessor retains all the significant risks and benefits of ownership related to the leased properties. Accordingly, the agreements are accounted for as operating leases.

The amount of rental income earned is disclosed in Note 26.

Determining Control over Investee Companies. Control over an investee 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 the Parent Company has control over the financial and operating policies of CCPC through representation on the BOD.

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.

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.

Assessing ECL. While cash and cash equivalents, refundable deposits and construction bond are also subject to the impairment requirements of PFRS 9, the assessed impairment loss is not material.

<u>Trade Receivables (Excluding Installment Contracts Receivable)</u>. The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade 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 customer's actual default in the future.

<u>Installment Contracts Receivable and Other Financial Assets at Amortized Cost</u>. The Group applies the general approach in measuring ECL which uses a 12-month or lifetime ECL for all installment contracts receivable and other financial assets at amortized cost. To measure the ECL, these have been grouped based on shared credit risk characteristics and the days past due.

The information about the ECL on the Group's financial assets at amortized cost is disclosed in Note 29. The amount of impairment loss on receivables is disclosed in Note 5. The carrying amounts of these financial assets are disclosed in Notes 4, 5 and 8.

Estimating the Fair Value of Financial Instruments. When the fair values of financial assets and 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. 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. The information on fair value measurement of financial assets and liabilities is disclosed in Note 28.

Estimating the NRV of 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.

The amount of inventories carried at the lower of cost and NRV is disclosed in Note 7.

Estimating the Useful Lives of Investment Properties and Property and Equipment. The useful lives of the Group's investment properties and property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimation of the useful lives of investment properties and property and equipment 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 investment properties and property and equipment are disclosed in Notes 11 and 12, respectively.

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 values of the Group's property and equipment, investment in and advances to joint ventures, other assets (excluding refundable deposits and construction bond) and goodwill are disclosed in Notes 8, 12, 13 and 14.

Provision for losses on and carrying amount of investment properties are disclosed in 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.

The amount of retirement benefits costs recognized and the carrying amount of retirement benefits liability are disclosed in Note 17.

Assessing the Recognition of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets at each reporting date is reviewed and reduces deferred tax assets 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 within the period allowed by the tax regulations. The Group's assessment on the recognition of deferred tax asset 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 amount of recognized and unrecognized deferred tax assets are disclosed in Note 27.

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱54,998**	₱57,998
Cash in banks	**18,306,402**	62,135,316
Short-term placements	**325,605,000**	441,267,500
	₱343,966,400	₱503,460,814

Cash in banks earn interest at prevailing bank deposit rates.

Short-term placements are made for varying periods of 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 derived from the following:

	Note	**2019**	2018	2017
Cash in banks and short-term placements	23	**₱18,351,092**	₱13,839,227	₱3,945,796
Installment contracts receivable	5	**19,526,978**	20,767,583	13,765,302
Loans receivable	5	**4,749,802**	2,202,778	1,000,000
		₱42,627,872	₱36,809,588	₱18,711,098

5. **Receivables**

This account consists of:

	Note	2019	2018
Loans receivables		**₱50,000,000**	₱100,000,000
Installment contracts receivable		**23,399,506**	21,141,427
Receivables from:			
Patient services		**20,385,629**	17,506,394
Contractors		**12,929,054**	12,929,054
Real estate buyers		**1,243,383**	1,826,202
Due from Santa Lucia Realty and Development Inc. (SLRDI)	26	**13,454,054**	12,507,522
Billed rentals	26	**1,997,584**	1,948,847
Others		**4,777,355**	7,437,332
		128,186,565	175,296,778
Allowance for impairment losses		**(23,150,876)**	(22,778,357)
Total current receivables		**105,035,689**	152,518,421
Installment contracts receivable - net of current portion		**77,734,875**	64,735,375
		₱182,770,564	₱217,253,796

Loans Receivable

The Parent Company entered into an Omnibus Loan and Security Agreement (the “Agreement”) granting loan facility to a third party (the “Borrower”).

The loan is for a maximum term of six months and bears an interest rate of 10% per annum. It is secured by a surety of an individual and pledged shares (common shares listed in the PSE) approximating 200% of the loan amount. The Agreement stipulates that in the event that the market value of the Pledged Shares falls below 195% of the outstanding loan amount, the Borrower shall immediately pledge additional shares to reinstate the required collateral.

Movements in this account are as follows:

	2019	2018
Balance at beginning of year	**₱100,000,000**	₱10,000,000
Loans extended	**100,000,000**	100,000,000
Collections	**(150,000,000)**	(10,000,000)
Balance at end of year	**₱50,000,000**	₱100,000,000

Interest income earned from the loan amounted to ₱4.7 million and ₱2.2 million in 2019 and 2018, respectively (₱1.0 million in 2017) (see Note 4).

Installment Contracts Receivable

Installment contracts receivable pertain to real estate sales. These are collectible in various installment periods of between one to 10 years and earn interest at 14% per annum.

Interest income earned from installment contracts receivable amounted to ₱19.5 million and ₱20.8 million in 2019 and 2018, respectively (₱13.8 million in 2017) (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. These are fully impaired and fully provided with allowance.

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

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

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

	Note	**2019**	2018
Balance at beginning of year		**₱22,778,357**	₱19,387,832
Provision	21	**372,519**	3,390,525
Balance at end of year		**₱23,150,876**	₱22,778,357

6. 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 ₱195.6 million and ₱133.8 million as at December 31, 2019 and 2018, respectively. The fair values were determined based on the closing bid prices at the reporting date (Level 1 hierarchy).

Unrealized loss on the changes in fair value on investments in quoted shares amounted to ₱14.0 million and ₱9.3 million in 2019 and 2018, respectively (unrealized gain of ₱6.1 million in 2017) (see Note 23).

Sale of investments in quoted shares amounted to a realized gain of ₱120,595 and ₱5.6 million in 2019 and 2018, respectively (₱3.3 million in 2017) (see Note 23).

Dividend income from the securities amounted to ₱9.2 million and ₱3.2 million in 2019 and 2018, respectively (₱1.7 million in 2017) (see Note 19).

7. Inventories

This account consists of:

	2019	2018
At cost:		
Houses and lots	**₱124,684,157**	₱127,810,315
Condominium units and parking slots	**23,907,294**	19,547,294
Medical supplies	**1,555,980**	1,188,986
	₱150,147,431	₱148,546,595

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

	Note	2019	2018
Balance at beginning of year		**₱127,810,315**	₱149,925,977
Construction cost		**35,189,132**	27,116,768
Recovery from cancelled contracts		**220,420**	821,229
		163,219,867	177,863,974
Cost of houses and lots sold	20	**(38,535,710)**	(50,053,659)
Balance at end of year		**₱124,684,157**	₱127,810,315

Condominium units pertain to units in Cypress Towers with movements as follows:

	Note	2019	2018
Balance at beginning of year		**₱19,547,294**	₱21,427,294
Recovery from cancelled contracts		**5,968,000**	792,000
Additions		**–**	116,084
		25,515,294	22,335,378
Cost of condominium units and parking slots sold	20	**(1,608,000)**	(880,000)
Transfer to investment properties	11	**–**	(1,792,000)
Transfer to property and equipment	12	**–**	(116,084)
Balance at end of year		**₱23,907,294**	₱19,547,294

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

	2019	2018	2017
Houses and lots	**₱38,535,710**	₱50,053,659	₱33,551,108
Medical supplies	**9,653,424**	9,072,639	7,313,278
Condominium units and parking slots	**1,608,000**	880,000	–
	₱49,797,134	₱60,006,298	₱40,864,386

8. Other Current Assets

This account consists of:

	2019	2018
CWTs	**₱23,589,406**	₱18,337,134
Input VAT	**21,910,611**	28,659,651
Advances to officers and employees	**1,876,089**	1,234,490
Refundable deposits	**1,417,678**	1,092,231
Construction bond	**1,241,900**	267,336
Prepayments	**954,285**	907,289
Deferred input VAT	**740,834**	549,794
Others	**361,619**	1,318,993
	52,092,422	52,366,918
Allowance for impairment loss	**(157,894)**	(157,894)
	₱51,934,528	₱52,209,024

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

Prepayments mainly pertain to rent, tax and insurance.

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. The fair value amounting to ₱47.3 million as at December 31, 2019 and 2018, has been determined using the net asset method as valuation technique. The Parent Company's investment represents only a minority interest in the investee company.

Management does not have any plans to sell or dispose of the shares 12 months after December 31, 2019.

Sensitivity Analysis. Significant increase (decrease) in the net asset would result in a significantly higher (lower) fair value measurement.

10. Assets Held for Sale

The Parent Company has an investment in and advances to a Joint Venture 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. The joint venture was established for the purpose of acquiring, selling and developing real estate properties.

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 2017 consolidated statements of financial position because of the Parent Company's plan to divest of its entire shareholdings in SLPI. Impairment losses 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 to a gain of ₱318.0 million (see Note 19), net of capital gains tax of ₱45.9 million.

11. **Investment Properties**

The composition of and movements in this account are as follows:

	2019			
	Land	**Condominium Units**	**Leasable Space for Ambulatory Clinic**	**Total**
Cost				
Balance at beginning of year	**₱1,011,621,527**	**₱7,408,736**	**₱41,889,186**	**₱1,060,919,449**
Additions	**89,183,520**	**499,131**		**89,682,651**
Balance at end of year	**1,100,805,047**	**7,907,867**	**41,889,186**	**1,150,602,100**
Accumulated Depreciation				
Balance at beginning of year	**–**	**351,199**	**9,664,767**	**10,015,966**
Depreciation	**–**	**459,753**	**1,396,304**	**1,856,057**
Balance at end of year	**–**	**810,952**	**11,061,071**	**11,872,023**
Allowance for Losses				
Balance at beginning and end of year	**55,513,073**	**–**	**–**	**55,513,073**
Carrying Amount	**₱1,045,291,974**	**₱7,096,915**	**₱30,828,115**	**₱1,083,217,004**

		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

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

Acquisition
The Group acquired a parcel of land located in Taguig costing ₱89.2 million and ₱322.6 million from a third party in 2019 and 2018, respectively.

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

Fair Values
The Group's investment properties have fair values aggregating ₱5,223.3 million and ₱5,121.3 million as at December 31, 2019 and 2018, respectively. The fair values of the investment properties (excluding the recently acquired land) were 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

In 2019, management assessed that there are no major new developments to the area that would cause the prices to differ significantly from the last valuation report. Management also believes that the carrying amount of the recently acquired land approximates its fair value.

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, 2019 (see Note 23).

Allowance for losses on investment properties amounted to ₱55.5 million as at December 31, 2019 and 2018.

Amounts Recognized in Profit or Loss
Rental income amounted to ₱15.6 million and ₱13.2 million in 2019 and 2018, respectively (₱11.3 million in 2017) (see Note 26). The related direct costs incurred pertain to depreciation expense and real property taxes aggregating ₱4.4 million and ₱4.3 million in 2019 and 2018, respectively (₱2.9 million in 2017).

Depreciation and amortization are recognized from the following:

	Note	**2019**	2018	2017
Property and equipment	12	**₱13,337,638**	₱13,439,852	₱11,186,511
Investment properties		**1,856,057**	2,183,791	1,933,520
		₱15,193,695	₱15,623,643	₱13,120,031

Depreciation and amortization are charged to:

	Note	**2019**	2018	2017
Cost of sales and services	20	**₱4,296,941**	₱4,298,284	₱2,771,204
Selling and administrative expenses	21	**10,896,754**	11,325,359	10,348,827
		₱15,193,695	₱15,623,643	₱13,120,031

12. Property and Equipment

Movements in this account are as follows:

		2019					
	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**	**₱184,076,135**	**₱62,677,976**	**₱34,866,784**	**₱34,989,339**	**₱436,742,955**
Additions		**–**	**297,165**	**504,593**	**184,122**	**659,416**	**1,645,296**
Balance at end of year		**120,132,721**	**184,373,300**	**63,182,569**	**35,050,906**	**35,648,755**	**438,388,251**
Accumulated Depreciation and Amortization							
Balance at beginning of year		**–**	**56,865,558**	**56,837,625**	**24,189,852**	**31,742,134**	**169,635,169**
Depreciation and amortization	11	**–**	**6,773,486**	**1,181,407**	**3,648,966**	**1,733,779**	**13,337,638**
Balance at end of year		**–**	**63,639,044**	**58,019,032**	**27,838,818**	**33,475,913**	**182,972,807**
Carrying Amount		**₱120,132,721**	**₱120,734,256**	**₱5,163,537**	**₱7,212,088**	**₱2,172,842**	**₱255,415,444**

		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

Cost of fully-depreciated assets still in use amounted to ₱88.1 million and ₱84.9 million as at December 31, 2019 and 2018, respectively.

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, 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, 2019 and 2018. The principal assumptions used in determining the recoverable amount (value in use) are discount rate of 5% and growth rate of 12% in 2019 and 2018.

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:

	2019	2018
Deferred input VAT - net of current portion	**₱1,444,347**	₱2,228,718
Refundable deposits	**1,496,169**	1,773,187
	₱2,940,516	₱4,001,905

15. **Accounts and Other Payables**

This account consists of:

	Note	**2019**	2018
Accounts payable		**₱70,021,487**	₱89,033,683
Contract liabilities		**38,758,640**	31,899,911
Payable to non-controlling interests	24	**14,540,400**	14,019,237
Accrued expenses		**13,329,137**	17,156,819
Payable to directors, officers and employees	24	**7,547,892**	42,946,277
Deposits for document processing		**5,473,956**	5,960,329
Statutory payable		**4,580,219**	3,725,405
Unearned rental income	26	**287,423**	174,100
Others		**7,730,066**	5,892,117
		₱162,269,220	₱210,807,878

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

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

Accrued expenses consist mainly of utilities, communication, outsourced services and professional fees which are normally settled in the following month.

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

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

16. Loans Payable

On January 24, 2018 and December 26, 2018, the Group obtained a loan of ₱20.0 million and ₱35.0 million, respectively, at 7.0% annual interest for working capital purposes. The Group settled the first loan on March 26, 2018 and the second loan on January 4, 2019.

On September 02, 2019, the Group obtained a loan of ₱230.0 million at 7.0% annual interest and was settled in the same month.

Interest expense amounted to ₱110,984 and ₱248,194 in 2019 and 2018, respectively. This is included as part of "Others" in "Other income (charges)" account in the consolidated statements of comprehensive income.

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 on February 19, 2020.

Retirement benefits cost presented as part of "Salaries, wages and other benefits" account under "Selling and administrative expenses" in the consolidated statements of comprehensive income are as follows (see Note 22):

	2019	2018	2017
Current service cost	**₱2,338,278**	₱2,238,493	₱1,359,659
Interest expense	**279,548**	916,006	711,723
Past service cost	**–**	2,547,729	–
	₱2,617,826	₱5,702,228	₱2,071,382

Net retirement benefits liability presented in the separate statements of financial position is as follows:

	2019	2018
Retirement benefits liability	**₱21,673,263**	₱17,028,317
Fair value of plan assets	**(3,530,702)**	–
	₱18,142,561	₱17,028,317

Movements in the present value of retirement benefits liability are as follows:

	2019	2018
Balance at beginning of year	**₱17,028,317**	₱13,137,307
Current service cost	**2,338,278**	2,238,493
Actuarial loss (gain)	**2,027,120**	(1,811,218)
Interest expense	**279,548**	916,006
Past service cost	**–**	2,547,729
Balance at end of year	**₱21,673,263**	₱17,028,317

The fair value of plan assets as at December 31, 2019 is as follows:

Contribution	₱3,500,000
Remeasurement gain	30,702
	₱3,530,702

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

	2019	2018
Discount rate	**5.19%**	7.52%
Expected rate of salary increases	**7.00%**	7.00%

Maturity analysis of the undiscounted benefit payments:

	2019	2018
Less than 5 years	**₱5,487,794**	₱6,470,354
5 years but less than 10 years	**15,464,363**	17,433,783
More than 10 years	**680,196,940**	624,834,377

The average duration of the retirement benefits liability as at December 31, 2019 and 2018 is 23 years.

Sensitivity Analysis

The sensitivity analysis on retirement benefits liability based on reasonably possible changes of the assumptions is as follows:

	Change in assumption	**2019**	2018
Discount rate	0.5%	**₱1,034,094**	₱1,279,548
	-0.5%	**(852,669)**	(126,785)
Expected salary growth rate	1.0%	**1,451,405**	1,362,265
	-1.0%	**(1,088,553)**	(1,021,699)

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 of Tax
Balance as at December 31, 2016	₱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
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
Remeasurement loss	(1,946,204)	(583,861)	(1,362,343)
Balance as at December 31, 2019	₱6,706,891	₱2,012,067	₱4,694,824

Remeasurement loss (gain), net of tax, on retirement benefits recognized in the consolidated statements of comprehensive income is as follows:

	2019	2018	2017
Equity holders of the Parent Company	**₱1,362,343**	(₱1,242,145)	(₱2,299,171)
Non-controlling interests	**35,150**	(25,708)	9,737
	₱1,397,493	(₱1,267,853)	(₱2,289,434)

Deferred tax asset (liability) on retirement benefits recognized in the consolidated statements of comprehensive income is as follows:

	2019	2018	2017
Equity holders of the Parent Company	**(₱583,861)**	₱532,347	₱985,359
Non-controlling interests	**(15,064)**	11,018	(4,173)
	(₱598,925)	₱543,365	₱981,186

18. **Equity**

Capital Stock

Details of the Parent Company's capital stock with ₱0.10 par value as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Authorized				
Ordinary shares	**24,000,000,000**	**₱2,400,000,000**	24,000,000,000	₱2,400,000,000
Issued and Outstanding				
Balance at beginning of year	**18,333,091,580**	**1,833,309,158**	18,295,591,580	1,829,559,158
Stock dividends	**1,359,999,980**	**135,999,998**	–	–
Issuances	**82,140,900**	**8,214,090**	37,500,000	3,750,000
Balance at end of year	**19,775,232,460**	**1,977,523,246**	18,333,091,580	1,833,309,158
Subscribed				
Balance at beginning of year	**82,140,900**	**8,214,090**	119,640,900	11,964,090
Issuances	**(82,140,900)**	**(8,214,090)**	(37,500,000)	(3,750,000)
Balance at end of year	**–**	**–**	82,140,900	8,214,090
Less:				
Subscriptions receivable				
Balance at beginning of year		**8,214,090**		11,964,090
Collections		**(8,214,090)**		(3,750,000)
Balance at end of year		**–**		8,214,090
Balance at end of year		**–**		**–**
	19,775,232,460	**1,977,523,246**	18,415,232,480	1,833,309,158
Treasury shares - at cost	**(4,815,232,510)**	**(481,523,251)**	(4,815,232,510)	(481,523,251)
	14,959,999,950	**₱1,495,999,995**	13,599,999,970	₱1,351,785,907

APIC amounted to ₱118.6 million as at December 31, 2019 and 2018.

The Parent Company has 365 shareholders as at December 31, 2019 and 2018.

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 ₱155.6 million and ₱152.8 million as at December 31, 2019 and 2018, respectively.

The net income allocated to non-controlling interests amounted to ₱17.3 million and ₱15.5 million in 2019 and 2018, respectively (₱7.8 million in 2017).

Stock Dividend

On February 26, 2019, the BOD approved the declaration of stock dividends equivalent to 10% of outstanding capital stock and was subsequently approved by the stockholders on May 7, 2019.

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 statements 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, 2019 and 2018, are as follows:

	2019	2018
Debt	**₱193,150,009**	₱273,364,834
Equity	**2,162,707,502**	2,137,143,806
Debt-to-Equity Ratio	**0.09:1**	0.13:1

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 56.7% and 53.9% as at December 31, 2019 and 2018, respectively.

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.

19. Revenue

This account consists of:

		2019			
	Note	**Real estate activities**	**Health care activities**	**Investing activities**	**Total**
Recognized at a point in time:					
Real estate sales:					
Sale of houses and lots		**₱99,972,727**	**₱–**	**₱–**	**₱99,972,727**
Sale of condominium units and parking slots	26	**5,796,068**	**–**	**–**	**5,796,068**
Sale of services			**78,894,579**	**–**	**78,894,579**
Dividend income	6	**–**	**–**	**9,176,819**	**9,176,819**
Sale of goods		**–**	**7,339**	**–**	**7,339**
Recognized over time:					
Interest income	4	**19,526,978**	**–**	**–**	**19,526,978**
Rental income	26	**15,624,740**	**–**	**–**	**15,624,740**
		₱140,920,513	**₱78,901,918**	**₱9,176,819**	**₱228,999,250**

	Note	2018 Real estate activities	Health care activities	Investing activities	Total
Recognized at a point in time:					
Real estate sales:					
Sale of houses and lots		₱112,324,408	₱–	₱–	₱112,324,408
Sale of condominium units and parking slots	26	2,575,893	–	–	2,575,893
Sale of services		–	79,050,657	–	79,050,657
Dividend income	6	–	–	3,206,819	3,206,819
Sale of goods		–	72,848	–	72,848
Recognized over time:					
Interest income	4	20,767,583	–	–	20,767,583
Rental income	26	13,180,218	–	–	13,180,218
		₱148,848,102	₱79,123,505	₱3,206,819	₱231,178,426

	Note	2017 Real estate activities	Health care activities	Investing activities	Total
Recognized at a point in time:					
Sale of houses and lots		₱69,427,675	₱–	₱–	₱69,427,675
Sale of services		–	71,047,245	–	71,047,245
Dividend income	6	–	–	1,696,142	1,696,142
Sale of goods		–	204,066	–	204,066
Recognized over time:					
Interest income	4	13,765,302	–	–	13,765,302
Rental income	26	11,318,984	–	–	11,318,984
		₱94,511,961	₱71,251,311	₱1,696,142	₱167,459,414

Gain on sale of assets held for sale of ₱318.0 million was recognized at a point in time in 2018 (see Note 10).

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	**2019**	2018	2017
Cost of services		**₱47,285,523**	₱49,103,906	₱43,513,195
Cost of real estate sold	7	**40,143,710**	50,933,659	33,551,108
Cost of goods sold		**3,861**	34,098	112,134
		₱87,433,094	₱100,071,663	₱77,176,437

Cost of services consists of:

	Note	2019	2018	2017
Contracted services		**₱18,588,434**	₱18,165,034	₱17,562,980
Salaries, wages and other benefits	22	**10,700,308**	10,139,987	9,452,971
Medical supplies	7	**9,653,424**	9,072,639	7,313,278
Depreciation and amortization	11	**4,296,941**	4,298,284	2,771,204
Others		**4,046,416**	7,427,962	6,412,762
		₱47,285,523	₱49,103,906	₱43,513,195

Cost of real estate sales consists of:

	Note	2019	2018	2017
Cost of:				
Houses and lots sold	26	**₱38,535,710**	₱50,053,659	₱33,551,108
Condominium units and parking slots sold	7	**1,608,000**	880,000	–
		₱40,143,710	₱50,933,659	₱33,551,108

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

21. **Selling and Administrative Expenses**

This account consists of:

	Note	2019	2018	2017
Salaries, wages and other benefits	22	**₱34,278,640**	₱36,854,127	₱29,970,799
Depreciation and amortization	11	**10,896,754**	11,325,359	10,348,827
Taxes and licenses		**8,816,655**	2,577,248	2,444,856
Outside services		**7,444,526**	7,128,768	5,968,551
Commission	26	**6,985,119**	12,992,342	5,271,817
Meetings and seminars		**5,406,496**	5,417,711	4,774,646
Professional fees		**5,196,912**	3,037,766	3,763,194
Directors and officers profit-sharing remuneration	24	**4,421,248**	39,785,622	22,370,870
Transportation and travel		**2,966,397**	4,652,003	3,579,269
Utilities		**2,515,592**	2,323,793	1,706,611
Repairs and maintenance		**2,440,214**	1,722,520	1,760,278
Insurance		**1,466,395**	1,354,376	1,283,393
Director's fees	24	**1,326,889**	1,321,889	994,667
Committee meetings		**1,325,000**	1,686,000	1,960,000
Supplies		**1,290,075**	1,084,071	805,258
Postage and communication		**937,592**	419,958	1,079,037
Association dues		**828,839**	861,847	2,537,958
Provision for impairment losses	5	**372,519**	3,390,525	–
Advertising		**301,696**	338,134	908,193

(Forward)

	2019	2018	2017
Representation and entertainment	**₱200,431**	₱28,751	₱422,448
Rent	**196,436**	35,989	39,300
SEC filing fee	**–**	4,848,000	–
Others	**9,978,160**	16,028,679	6,886,432
	₱109,592,585	₱159,215,478	₱108,876,404

Other expenses pertain mainly to unrecoverable input VAT.

22. **Personnel Costs**

Personnel costs consist of:

	Note	2019	2018	2017
Salaries and wages		**₱41,623,203**	₱33,909,758	₱32,447,267
Retirement benefit costs	17	**2,617,826**	5,702,228	2,071,382
Other employee benefits		**737,919**	7,382,128	4,905,121
		₱44,978,948	₱46,994,114	₱39,423,770

Personnel costs are charged to:

	Note	2019	2018	2017
Cost of services	20	**₱10,700,308**	₱10,139,987	₱9,452,971
Selling and administrative expenses	21	**34,278,640**	36,854,127	29,970,799
		₱44,978,948	₱46,994,114	₱39,423,770

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

23. **Other Income (Charges)** - Net

This account consists of:

	Note	2019	2018	2017
Interest income from:	4			
Cash and cash equivalents		**₱18,351,092**	₱13,839,227	₱3,945,796
Loans receivables		**4,749,802**	2,202,778	1,000,000
Unrealized gain (loss) on changes in:				
Fair value of investments in quoted shares	6	**(13,996,062)**	(9,321,806)	6,052,587
Foreign exchange rates		**(1,099,216)**	820,203	939
Gain on cancelled contracts and forfeited customer deposits		**1,304,046**	325,276	2,985,362
Realized gain on sale of investments in quoted shares	6	**120,595**	5,611,906	3,294,213
Provision for losses	11	**–**	(25,460,606)	–

(Forward)

	Note	2019	2018	2017
Gain on disposal of property and equipment	12	**₱–**	₱22,321	₱–
Investment in and advances to a joint venture	10	**–**	–	126,844,311
Others		**4,849,079**	2,861,433	11,077,352
		₱14,279,336	(₱9,099,268)	₱155,200,560

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

24. Related Party Transactions

The following table summarizes the Group's significant transactions and balances with related parties as of and for the years ended December 31, 2019 and 2018 are summarized as follows:

			Amount of Transaction		Outstanding Balance	
Related Parties	Note	Nature of Transaction	**2019**	2018	**2019**	2018
Accounts and other payables						
Non-controlling interests		Dividends	**₱14,540,400**	₱14,019,237		
	15	Dividend payments	**(14,019,237)**	(16,875,000)	**₱14,540,400**	₱14,019,237
Directors and officers	22	Directors and officers profit-sharing remuneration	**4,421,248**	39,785,622		
	21	Director's fees	**1,326,889**	1,321,889		
		Payments	**(41,146,522)**	(20,774,126)	**7,547,892**	42,946,277
Stockholder		Commission	**547,133**	375,843		
		Payments	**(547,133)**	(375,843)	**–**	–
					₱22,088,292	₱56,965,514

<u>Terms and Conditions of Transactions with Related Parties</u>

The directors and officers are entitled to receive profit sharing based on the performance by the Group.

Commissions charged by a stockholder, which is also the Parent Company's broker in its trading of investments in quoted shares, are included as part of "Commissions" under "Selling and Administrative Expenses".

The outstanding balances are unsecured, non-interest bearing, payable upon demand and settled in cash.

<u>Compensation of Key Management Personnel</u>

Compensation of key management personnel, consisting of short term salaries and government mandated benefits, amounted to ₱10.2 million and ₱10.4 million in 2019 and 2018, respectively (₱8.2 million in 2017).

Financial Information of Subsidiaries

The summarized financial information of CCPC, PLHI, FMCMI and HSAPI as at and for the years ended December 31, 2019, 2018 and 2017 as follows:

	2019				
	CCPC	**PLHI**	**FMCMI**	**HSAPI**	**ACHC**
Current assets	**₱191,860,270**	**₱165,166**	**₱31,963,431**	**₱1,852,468**	**₱25,000,000**
Noncurrent assets	**49,173,501**	**277,518,000**	**13,339,106**	**94,294,899**	**–**
Current liabilities	**69,600,548**	**389,524**	**9,178,542**	**76,005,857**	**1,881,922**
Noncurrent liabilities	**7,014,282**	**7,880,061**	**8,730,212**	**–**	**–**
Total equity	**164,418,941**	**269,413,581**	**27,393,783**	**20,141,510**	**23,118,078**
Revenue	**79,328,892**	**–**	**78,901,918**	**1,498,172**	**–**
Net income (loss)	**33,441,079**	**(354,228)**	**1,461,833**	**67,722**	**(1,881,922)**
Total comprehensive income (loss)	**33,473,707**	**(354,228)**	**(275,391)**	**67,722**	**(1,881,922)**

	2018			
	CCPC	PLHI	FMCMI	HSAPI
Current assets	₱184,484,366	₱165,166	₱31,776,098	₱605,035
Noncurrent assets	43,171,646	277,518,000	14,779,655	95,287,706
Current liabilities	63,207,344	2,597,386	11,919,759	75,818,953
Noncurrent liabilities	5,503,434	5,317,971	6,966,820	–
Total equity	158,945,234	269,767,809	27,669,174	20,073,788
Revenue	81,680,179	–	79,123,505	1,108,361
Net income (loss)	28,515,920	(412,822)	2,959,765	(86,014)
Total comprehensive income (loss)	28,537,462	(412,822)	3,443,310	(86,014)

	2017			
	CCPC	PLHI	FMCMI	HSAPI
Current assets	₱188,827,363	₱147,068	₱28,174,704	₱3,306,435
Noncurrent assets	40,352,432	277,518,000	11,062,391	96,123,976
Current liabilities	71,604,761	2,166,466	10,163,030	79,270,609
Noncurrent liabilities	167,262	5,317,971	4,848,201	–
Total equity	157,407,772	270,180,631	24,225,864	20,159,802
Revenue	41,174,000	–	54,426,959	1,409,449
Net income (loss)	15,194,673	(355,597)	536,492	(55,232)
Total comprehensive income (loss)	15,127,008	(355,597)	1,384,796	(55,232)

25. Earnings Per Share (EPS)

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

	2019	2018	2017
Net income attributable to Parent Company	**₱15,940,808**	₱269,669,964	₱120,967,896
Weighted average number of ordinary shares outstanding	**13,939,999,958**	13,599,999,970	13,599,999,970
	₱0.00114	₱0.01983	₱0.00889

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, 2019 and 2018, the Parent Company has no dilutive or potential dilutive share.

26. Significant Agreements

Operating Lease Agreements

The Group leased out certain commercial spaces of its building to several parties under various cancellable and noncancellable operating lease agreements for periods between one to 10 years. All leases include an annual escalation clause based on rental rates.

Security deposits amounting to ₱2.9 million and ₱3.2 million as at December 31, 2019 and 2018 are noninterest-bearing and will be refunded at the end of the lease term.

Unearned rental income amounted to ₱287,423 and ₱174,100 as at December 31, 2019 and 2018, respectively (see Note 15).

Rental income recognized amounted to ₱15.6 million and ₱13.2 million in 2019 and 2018, respectively (₱11.3 million in 2017) (see Note 19). Billed rental amounted to ₱2.0 million and ₱1.9 million as at December 31, 2019 and 2018, respectively (see Note 5).

Future minimum lease receivables to be collected based on existing contracts are as follows:

	2019	2018
Not later than one year	**₱6,009,605**	₱144,644
Later than one year but not later than five years	**27,197,256**	–
Beyond five years	**38,385,789**	**–**
	₱71,592,650	₱144,644

Joint Operation Arrangement with 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 was completed and the Project started selling lots in 2004.

The revenue and the corresponding cost of real estate sold from the joint operation arrangement with SLRDI, which are included as part of “Sale of houses and lots” and “Cost of houses and lots sold”, respectively, are as follows:

	2019	2018	2017
Sale of houses and lots	**₱68,730,567**	₱70,090,672	₱35,124,240
Cost of houses and lots sold	**20,955,241**	24,874,010	13,448,796

Installment contracts receivable related to the Agreement amounted to ₱60.8 million and ₱49.6 million as at December 31, 2019 and 2018, respectively. Due to SLRDI relating to share of the Group amounting to ₱3.5 million and ₱6.5 million as at December 31, 2019 and 2018, respectively, is included as part of “Accounts payable”. 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 Fort Bonifacio Medical Center, Inc. (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.

The development and construction of the condominium buildings were completed and started selling in 2008.

The amounts of sales of condominium units and parking slots and cost of condominium units and parking slots sold are disclosed in Notes 19 and 20, respectively.

Installment contracts receivable related to the Agreement amounted to ₱8.1 million and ₱8.0 million as at December 31, 2019 and 2018, respectively.

As at December 31, 2019 and 2018, 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 incurred commission expense amounting to ₱7.0 million and ₱13.0 million in 2019 and 2018, respectively (₱5.3 million in 2017) (see Note 21).

27. **Income Taxes**

Components of income tax expense are as follows:

	2019	2018	2017
Current:			
Regular corporate income tax	**₱12,159,828**	₱8,665,496	₱5,729,375
MCIT	**1,833,332**	1,092,212	1,137,317
Deferred	**(1,027,752)**	(14,139,400)	945,776
	₱12,965,408	(₱4,381,692)	₱7,812,468

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

	2019	2018	2017
Profit or loss:			
Current	**₱13,993,160**	₱9,757,708	₱6,866,692
Deferred	**(1,027,752)**	(14,139,400)	945,776
Other comprehensive income -			
Deferred	**(583,861)**	532,347	985,359
	₱12,381,547	(₱3,849,345)	₱8,797,827

Deferred Taxes

The components of the Group's deferred taxes are as follows:

	2019	2018
Deferred tax assets:		
Allowance for losses on investment properties	**₱7,638,182**	₱7,638,182
Allowance for impairment losses on:		
Receivables	**6,945,263**	6,833,507
Other current assets	**47,368**	47,368
Retirement benefits liability	**5,442,768**	5,108,495
Excess MCIT	**363,329**	–
Unrealized foreign exchange loss	**329,765**	–
Others	**16,291**	16,291
	₱20,782,966	₱19,643,843
Deferred tax liabilities:		
Excess gross profit over collections	**₱6,834,181**	₱7,075,674
Unrealized foreign exchange gain	**–**	246,061
	₱6,834,181	₱7,321,735

Details of unrecognized net deferred tax assets are as follows:

	2019	2018
Deferred tax assets:		
NOLCO	**₱26,430,349**	₱25,412,820
Allowance on loss on investment properties	**9,015,740**	9,015,740
MCIT	**3,409,192**	3,013,546
Unearned rental income	**86,227**	52,230
	₱38,941,508	₱37,494,336

The details of the Group's NOLCO and MCIT, which can be claimed as deduction from future taxable income and as tax credit against future income tax due, are as follows:

NOLCO

Inception Year	Amount	Applied	Expired/ Derecognized	Balance	Expiry Year
2019	₱4,286,518	₱–	₱–	₱4,286,518	2022
2018	55,827,658	–	–	55,827,658	2021
2017	27,986,987	–	–	27,986,987	2020
2016	894,755	(159,558)	(735,197)	–	2019
	₱88,995,918	(₱159,558)	(₱735,197)	₱88,101,163	

MCIT

Inception Year	Amount	Expired/ Derecognized	Balance	Expiry Year
2019	₱1,542,992	₱–	₱1,542,992	2022
2018	1,092,212	–	1,092,212	2021
2017	1,137,317	–	1,137,317	2020
2016	784,017	(784,017)	–	2019
	₱4,556,538	(₱784,017)	₱3,772,521	

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate and at effective income tax rate is as follows:

	2019	2018	2017
Income tax expense computed at statutory tax rate	**₱13,875,872**	₱84,228,600	₱40,982,140
Tax effects of:			
Income already subjected to a final tax	**(4,095,734)**	(82,039,447)	(2,627,318)
Nondeductible expenses	**733,522**	1,096,838	400,672
Expired NOLCO	**220,559**	257,721	161,943
Nontaxable income	**–**	–	(38,053,293)
Changes in unrecognized deferred tax asset	**1,447,172**	(9,201,806)	6,948,324
Expired MCIT	**784,017**	186,048	–
Excess MCIT over RCIT	**–**	1,090,354	–
	₱12,965,408	(₱4,381,692)	₱7,812,468

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.

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**₱343,966,400**	**₱343,966,400**	₱503,460,814	₱503,460,814
Receivables	**182,770,564**	**182,770,564**	217,253,796	217,253,796
Refundable deposits and construction bond*	**4,155,747**	**4,155,747**	3,132,754	3,132,754
At FVPL -				
Investment in quoted shares	**195,597,395**	**195,597,395**	133,809,204	133,809,204
At FVOCI -				
Investment in unquoted shares	**47,344,659**	**47,344,659**	47,344,659	47,344,659
	₱773,834,765	**₱773,834,765**	₱905,001,227	₱905,001,227

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
At amortized cost:				
Accounts and other payables**	**₱113,168,982**	**₱113,168,982**	₱169,048,133	₱169,048,133
Security deposits	**2,892,221**	**2,892,221**	3,213,377	3,213,377
Loans payable	**–**	**–**	34,993,527	34,993,527
	₱116,061,203	**₱116,061,203**	₱207,255,037	₱207,255,037

** Included in "Other current assets" and "Other noncurrent assets" accounts*
*** Excluding contract liabilities, deposits for document processing, statutory payable and unearned rental income*

The Group has determined that carrying amounts of cash and cash equivalents, receivables, accounts and other payables (excluding contract liabilities, deposits for document processing, statutory payable and unearned rental income) and loans payable 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. The management believes that the effect of discounting the future receipts/payments from these financial instruments using the prevailing market rates is not significant.

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 2019 and 2018.

29. Financial Instruments Risk Management Policies and Objectives

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 contract liabilities, deposits for document processing, statutory payable and unearned rental income), loans payable and security deposits. 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 and liquidity 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 cash and cash equivalents, loans payable and equity investments.

The sensitivity analyses in the following sections relate to the financial position as at December 31, 2019 and 2018.

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, 2019 and 2018.

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).

The Group has transactional currency exposures arising from purchase and construction contract transactions denominated in currencies other than the functional 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:

	2019	2018
Cash in banks	**₱12,505,848**	₱17,285,374
Investments in quoted shares	**56,423,233**	44,873,411

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 9%, respectively, against the relevant currency. For a 6% and 9% 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 9% change in USD and SGD exchange rates, respectively, with all other variables held constant:

	Effect on Income Before Tax	
	2019	2018
Cash in banks	**₱750,351**	₱1,555,684
Investments in quoted shares	**5,078,091**	4,038,607
	₱5,828,442	₱5,594,291

Equity Price Risk
Equity price risk exposure relates to fluctuation in fair values as a result of changes in market prices of investments in quoted shares 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 Income Before Tax	Change in Stock Price	Effect on Income Before Tax
December 31, 2019	**5%**	**₱5,306,717**	**5%**	**₱1,642,139**
	-5%	**(5,306,717)**	**-5%**	**(1,642,139)**
December 31, 2018	13%	6,584,043	10%	2,673,170
	-13%	(6,584,043)	-10%	(2,673,170)

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:

	2019	2018
Cash and cash equivalents	**₱343,966,400**	₱503,460,814
Receivables	**182,770,564**	217,253,796
Refundable deposits	**2,913,847**	2,865,418
Construction bond	**1,241,900**	267,336
	₱530,892,711	₱723,847,364

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, 2019 Credit risk exposure relating to 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	**₱100,730,157**	**₱149,141,452**	**₱–**	**₱149,141,452**
Loans receivables	**50,000,000**	**130,720,000**	**–**	**130,720,000**
	₱150,730,157	**₱279,861,452**	**₱–**	**₱279,861,452**

December 31, 2018 Credit risk exposure relating to 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

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.

The loans receivable are secured by a pledge over a number of common shares listed in the PSE worth approximately 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, 2019 and 2018, the amount of cash 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.* Pertains to counterparty with performance rating ranging from satisfactory to acceptable and repayment capacity has to be monitored. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

- *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 of Trade Receivables (excluding Installment Contracts Receivable). An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Impairment of Installment Contracts Receivable and Other Financial Assets at Amortized Cost. The Group limits its exposure to credit risk by investing its cash and cash equivalents only with banks that have good credit standing and reputation in the local and international banking industry.

For installment contracts receivable, loans receivable, dividend receivable, due from project developer, refundable deposits, construction bond and other receivables, credit risk is low since the Group only transacted with reputable companies with respect to these financial assets or the financial assets have credit enhancements.

It is the Group's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Using the ECL allowance, the credit risk exposure on the Group's impairment of receivables amounted to ₱372,519 and ₱3.4 million in 2019 and 2018, respectively (see Note 5).

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, 2019 and 2018, based on undiscounted cash flows:

	2019					
	Payable on Demand	**30 Days**	**60 Days**	**90 Days**	**120 Days and More**	**Total**
Accounts payable and other liabilities*	**₱7,547,892**	**₱21,059,203**	**₱70,021,487**	**₱–**	**₱14,540,400**	**₱113,168,982**
Security deposits	**–**	**–**	**–**	**–**	**2,892,221**	**2,892,221**
	₱7,547,892	**₱21,059,203**	**₱70,021,487**	**₱–**	**₱17,432,621**	**₱116,061,203**

**Excluding contract liabilities, deposits for document processing, statutory payable and unearned rental income as at December 31, 2019.*

	2018					
	Payable on Demand	30 Days	60 Days	90 Days	120 Days and More	Total
Accounts payable and other liabilities*	₱42,946,277	₱23,048,936	₱89,033,683	₱–	₱14,019,237	₱169,048,133
Loans payable	–	34,993,527	–	–	–	34,993,527
Security deposits	–	–	–	–	3,213,377	3,213,377
	₱42,946,277	₱58,042,463	₱89,033,683	₱–	₱17,232,614	₱207,255,037

**Excluding contract liabilities, deposits for document processing, statutory payable and unearned rental income as at December 31, 2018.*

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, 2019				
	Real Estate	**Healthcare Services**	**Investment Holdings**	**Eliminating Entries**	**Total**
Segment revenue	**₱143,754**	**₱80,400**	**₱29,836**	**₱–**	**₱253,990**
Inter-segment revenue	**4,332**	**–**	**20,660**	**(24,992)**	**–**
Net revenue	**₱148,086**	**₱80,400**	**₱50,496**	**(₱24,992)**	**₱253,990**
Segment results					
Income before income tax	**₱59,516**	**₱1,957**	**(₱1,761)**	**(₱13,460)**	**₱46,252**
Provision for (benefit from) income tax	**12,416**	**428**	**–**	**–**	**12,844**
Net income (loss)	**₱47,100**	**₱1,529**	**(₱1,761)**	**(₱13,460)**	**₱33,408**
Total assets	**₱2,589,909**	**₱141,450**	**₱72,345**	**(₱447,846)**	**₱2,355,858**
Total liabilities	**₱121,782**	**₱88,761**	**₱1,882**	**(₱125,173)**	**₱87,252**
Additions to:					
Investment properties	**₱89,699**	**₱316**	**₱–**	**₱–**	**₱90,015**
Property and equipment	**278**	**486**	**–**	**–**	**764**
	₱89,977	**₱802**	**₱–**	**₱–**	**₱90,779**
Other information:					
Depreciation and amortization	**₱11,227**	**₱3,967**	**₱–**	**₱–**	**₱15,194**
Impairment loss on investment properties	**55,513**	**–**	**–**	**–**	**55,513**
	₱66,740	**₱3,967**	**₱–**	**₱–**	**₱70,707**

	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)	₱291,935	(₱2,492)	(₱82)	(₱12,981)	₱276,380
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

	December 31, 2018				
	Real Estate	Healthcare Services	Investment Holdings	Eliminating Entries	Total
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	₱–	₱15,623
Impairment loss on investment properties	25,460	–	–	–	25,460
	₱37,016	2,851	₱1,216	₱–	₱41,083

	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)	₱189,001	₱2,591	(₱46)	(₱45,169)	₱146,377
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

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue 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 2019 and 2018:

	Loans Payable	Dividends Payable to Non-controlling Interests
Balance as at December 31, 2017	₱–	₱16,875,000
Cash changes:		
Proceeds/collection	54,993,527	–
Payments	(20,000,000)	(16,875,000)
Noncash changes - declaration	–	14,019,237
Balance as at December 31, 2018	34,993,527	14,019,237
Cash changes:		
Payments	(264,993,527)	(14,019,237)
Proceeds	230,000,000	–
Noncash changes - declaration	–	14,540,400
Balance as at December 31, 2019	₱–	₱14,540,400

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

32. **Events After the Reporting Period**

In March 2020, the COVID-19 outbreak was declared to be a global pandemic by the World Health Organization causing the government to declare the country in a state of public health emergency followed by the implementation of mandated lockdown all over the country resulting in a slowdown in the Philippine economy.

Management has determined that such event has no impact on the Group's consolidated financial statements as at and for the year ended December 31, 2019. Although, the Group anticipates that the COVID-19 will have a material impact on its business operations, financial condition, results of operations, and cash flows in 2020, the impact cannot be reasonably estimated as at April 13, 2020. However, the Group strongly believes that it can remain a going concern given its nature of business, liquidity position and its access to funding.

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. (the "Company") AND SUBSIDIARIES as at and for the years ended December 31, 2019 and 2018, on which we have rendered our report dated April 13, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has three hundred fifty-four (354) and three hundred fifty-five (355) stockholders owning one hundred (100) or more shares each as at December 31, 2019 and 2018, respectively.

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. 92765-SEC Group A
Valid until January 22, 2025
BIR Accreditation No. 08-005144-014-2020
Valid until January 1, 2023
PTR No. 8116482
Issued January 6, 2020, Makati City

April 13, 2020
Makati City, Metro Manila

INDEPENDENT AUDITORS REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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 December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated April 13, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 and no material exceptions were noted.

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Makati City, Metro Manila

CROWN EQUITIES, INC. AND SUBSIDIARIES

FINANCIAL SOUNDNESS INDICATORS

Below is a schedule showing financial soundness indicators of the Group as at and for the years ended 2019, 2018 and 2017.

Ratio	Formula	2019	2018	2017
Current ratio				
	Current assets	**₱846,681,443**	₱990,544,058	₱1,011,517,829
	Divide by: Current liabilities	**165,281,046**	245,801,405	235,774,148
	Current Ratio	**5.12**	4.03	4.29
Acid test ratio				
	Current assets	**₱846,681,443**	₱990,544,058	₱1,011,517,829
	Less: Inventories	**150,147,431**	148,546,595	172,652,090
	Other current assets	**51,934,528**	52,209,024	65,122,005
	Quick assets	**644,599,484**	789,788,439	773,743,734
	Divide by: Current liabilities	**165,281,046**	245,801,405	235,774,148
	Acid Test Ratio	**3.90**	3.21	3.28
Solvency ratio				
	Income before tax	**₱46,252,907**	₱280,762,000	₱136,607,133
	Add: Depreciation and amortization	**15,193,695**	15,623,643	13,120,031
	Net income before depreciation and amortization	**61,446,602**	296,385,643	149,727,164
	Divide by: Total liabilities	**193,150,009**	273,364,834	251,760,747
	Solvency Ratio	**0.32**	1.08	0.59
Debt-to-equity ratio				
	Total liabilities	**₱193,150,009**	₱273,364,835	₱251,760,747
	Divide by: Total equity	**2,162,707,502**	2,137,143,806	1,861,001,497
	Debt-to-Equity Ratio	**0.09**	0.13	0.14
Asset-to-equity ratio				
	Total assets	**₱2,355,857,511**	₱2,410,508,640	₱2,112,762,244
	Divide by: Total equity	**2,162,707,502**	2,137,143,806	1,861,001,497
	Asset-to-Equity Ratio	**1.09**	1.13	1.14
Interest rate coverage ratio				
	Income before tax	**₱46,252,907**	₱280,762,000	₱136,607,133
	Add: interest expense	**110,984**	248,194	–
	Pretax income before interest	**46,363,891**	281,010,194	136,607,133
	Divide by: Interest expense	**110,984**	248,194	–
	Interest Rate Coverage Ratio	**417.75**	1,132.22	–

Ratio	Formula	**2019**	2018	2017
Return on equity				
	Net income attributable to equity holders of the Parent Company	**₱15,940,808**	₱269,669,964	₱120,967,896
	Equity:			
	Beginning of year	**2,137,143,806**	1,861,001,498	1,746,792,398
	End of year	**2,162,707,502**	2,137,143,806	1,861,001,498
		4,299,851,308	3,998,145,304	3,607,793,896
	Divide by	**2**	2	2
	Average equity	**2,149,925,654**	1,999,072,652	1,803,896,948
	Return on Equity	**0.74%**	13.49%	6.71%
Return on assets				
	Net income	**₱33,287,499**	₱285,143,692	₱128,794,665
	Total assets:			
	Beginning of year	**2,410,508,640**	2,112,762,244	1,973,731,772
	End of year	**2,355,857,511**	2,410,508,640	2,112,762,244
		4,766,366,151	4,523,270,884	4,086,494,016
	Divide by	**2**	2	2
	Average assets	**2,383,183,076**	2,261,635,442	2,043,247,008
	Return on Assets	**0.0140**	0.1261	0.0630
Net profit margin				
	Net income	**₱33,287,499**	₱285,143,692	₱128,794,665
	Revenue	**228,999,250**	231,178,426	168,459,414
	Net Profit Margin	**0.1454**	1.2334	0.7645

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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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 years ended December 31, 2019 and 2018 and have issued our report thereon dated April 13, 2020.

Our audits were 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:

- Reconciliation of Retained Earnings Available for Dividend Declaration as at December 31, 2019
- Supplementary Schedules as Required by Part II of the Revised Securities Regulation Code Rule 68 as at December 31, 2019
- Conglomerate Map as at December 31, 2019

These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 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 audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

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Partner
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April 13, 2020
Makati City, Metro Manila

CROWN EQUITIES, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

Retained earnings at beginning of year as shown in the separate financial statements	₱486,337,622
Adjustments in previous year's reconciliation	9,321,508
Retained earnings, as adjusted to available for dividend declaration, at beginning of year	495,659,130
Net income during the year closed to retained earnings	14,012,616
Add (less):	
Stock dividends	(135,999,998)
Unrealized loss on changes in fair value of investments in quoted shares	13,996,062
Total retained earnings available for dividend declaration at end of year	₱387,667,810

Reconciliation:	
Retained earnings at end of year as shown in the separate financial statements	₱364,350,240
Adjustments in previous year's reconciliation	9,321,508
Retained earnings, as adjusted to available for dividend declaration, at beginning of year	373,671,748
Add:	
Unrealized loss on changes in fair value of investments in quoted shares	13,996,062
Total retained earnings available for dividend declaration at end of year	₱387,667,810

CROWN EQUITIES, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES AS REQUIRED BY PART II OF THE REVISED SRC RULE 68
DECEMBER 31, 2019

CROWN EQUITIES, INC. AND SUBSIDIARIES

Financial Assets
DECEMBER 31, 2019

Name of issuing entity & association of each issue	Number of shares or principal amount of bonds and notes	Amount shown on the balance sheet	Values based on market quotation at end of reporting period	Income received and accrued
Loans Receivables				
BLUE STOCKS DEVELOPMENT CORP.	50,0000,000	₱50,000,000	₱50,000,000	₱4,749,802
Fair Value Through Profit or Loss				
ABACORE CAPITAL	400,000	₱344,000	₱344,000	₱–
ABOITIZ POWER	25,000	855,000	855,000	–
ALL HOME	100,000	1,164,000	1,164,000	–
APEX MINING CO.	200,000	198,000	198,000	–
ASIA UNITED BANK	9,000	478,350	478,350	16,200
ATN HLDNGS INC.	74,000	68,820	68,820	–
BASIC ENERGY CORP	3,333	817	817	–
BELLE CORPORATION	75	149	149	9
BLOOMBERRY	7,000	79,100	79,100	1,050
BOULEVARD HLDGS	11,000,000	583,000	583,000	–
BYD COMPANY LIMITED (1211)	32,640	8,263,607	8,263,607	–
CACHE LOGISTICS TRUST	150,000	4,043,760	4,043,760	–
CAPITALAND MALL TRUST	45,600	4,229,490	4,229,490	169,973
CEMEX HOLDINGS PHILIPPINES, INC.	350,000	703,500	703,500	–
CENTURY PROPERTIES GROUP INC.	300,000	165,000	165,000	3,567
CHINA BANKING CORPORATION	17,972	450,199	450,199	15,815
COAL ASIA HOLDINGS, INC.	300,000	81,000	81,000	–
COSCO CAPITAL	27,000	184,680	184,680	–
CYBER BAY CORPORATION	1,200,000	456,000	456,000	–
D&L INDUSTRIES, INC.	11,000	104,500	104,500	3,146
DA VINCI	10,000	50,000	50,000	–
DMCI HOLDINGS, INC	350,000	2,313,500	2,313,500	–
DOUBLE DRAGON PROP. CORP. (PREFERRED)	23,200	2,331,600	2,331,600	75,142
EAGLE CEMENT	30,000	445,800	445,800	7,800
EASTWEST BANK	68,617	827,520	827,520	–
EASYCALL COMM.	20,000	155,800	155,800	–
EMPERADOR INC.	50,000	360,500	360,500	–
EMPIRE EAST LAND INC	400,000	172,000	172,000	–
EXPORT AND INDUSTRY BANL, INC	3,310,000	–	–	–
FRASERS COMMERCIAL TRUST	170,000	10,640,084	10,640,084	586,054
GLOBAL ESTATE	1,300,000	1,560,000	1,560,000	–
GLOBE TELECOM	17,000	34,340,000	34,340,000	1,485,575
GMA NET, INC.	282,000	1,503,060	1,503,060	121,500
HOLCIM PHILIPPINES, INC	147,500	2,006,000	2,006,000	–
HSBC HOLDINGS PLC	4,800	1,903,401	1,903,401	218,326
INTEGRATED MICRO	41,560	327,908	327,908	4,381

(Forward)

Name of issuing entity & association of each issue	Number of shares or principal amount of bonds and notes	Amount shown on the balance sheet	Values based on market quotation at end of reporting period	Income received and accrued
IP E–GAMES VENTURES, INC.	10,000,000	₱–	₱–	₱–
ISM COMM.	30,000	103,200	103,200	–
LEISURE AND RESORTS WORLD CORP PREF	1,089,000	1,089,000	1,089,000	–
MACAY HOLDING INC.	10,000	61,900	61,900	–
MANILA ELECTRIC COMPANY	1,000	317,000	317,000	59,093
MANILA JOCKEY	15,720	52,662	52,662	–
MANILA MINING	11,808,988	88,567	88,567	–
MANILA WATER COMPANY, INC	890,000	9,220,400	9,220,400	502,612
MAPLETREE LOGISTICS TRUST	200,000	13,121,011	13,121,011	546,792
MAPLETREE NORTH ASIA COMM REIT UNT	100,000	4,373,670	4,373,670	–
METRO RETAIL GROUP INC	35,000	73,850	73,850	–
MUSCLE PHARM CORP	3,003	36,572	36,572	–
NATIONAL REINSURANCE CORP	1,310,000	1,087,300	1,087,300	–
NEXTGENESIS CORP	15,000	–	–	–
ORIENTAL PETROLEUM AND MINERAL "A"	117,021,003	1,287,230	1,287,230	73,511
ORIENTAL PETROLEUM AND MINERAL "B"	30,000,000	330,000	330,000	–
PACIFICA INC.	37,500	178,125	178,125	–
PAL HOLDINGS	14,800	116,180	116,180	–
PETRON CORP.	180,000	694,800	694,800	16,480
PHIL. BUSINESS BANK	216,000	2,596,320	2,596,320	–
PHINMA ENERGY CORPORATION	100,000	223,000	223,000	–
PHINMA PETROLEUM & GEOTHERMAL, INC.	2,172	15,899	15,899	–
PILIPINAS SHELL PETROLEUM CORP.	500,000	16,400,000	16,400,000	1,500,000
PLATFORM SPECIALTY PRODUCTS	4,000	2,370,760	2,370,760	–
PLDT	18,010	17,793,880	17,793,880	1,224,720
PREMIUM LEISURE CORP	300,000	171,000	171,000	15,072
SAN MIGUEL CORP	1,000	164,000	164,000	3,500
SAN MIGUEL CORP PREFERRED 2G	13,100	983,810	983,810	101,392
SEMIRARA MINING	1,403,500	30,877,000	30,877,000	1,450,000
SFA SEMICON PHILIPPINES CORP	90,000	76,500	76,500	–
SHANG PROPERTIES INC	417,277	1,335,286	1,335,286	118,448
SINGAPORE TELECOMMUNICATIONS LTD.	45,000	5,717,820	5,717,820	299,331
SPC POWER CORP	10,000	81,900	81,900	15,000
SSI GROUP, INC.	140,000	389,200	389,200	2,114
SWIFT FOODS	300,000	35,100	35,100	–
TRANSPACIFIC BROADBAND GROUP INC.	700,000	189,000	189,000	–
UNION BANK OF THE PHILS	3,305	190,699	190,699	8,980
VULCAN INDUSTRIAL CORP	150,000	129,000	129,000	–
WESTPAC BANKING CORP	2,000	1,723,059	1,723,059	122,658
XURPAS, INC.	315,000	242,550	242,550	–
ZEUS HOLDINGS	1,350,000	270,000	270,000	–
		₱195,597,395	₱195,597,395	₱8,768,241

Name of issuing entity & association of each issue	Number of shares or principal amount of bonds and notes	Amount shown on the balance sheet	Values based on market quotation at end of reporting period	Income received and accrued
Fair Value Through Other Comprehensive Income				
Asian Alliance Holdings & Development Corp.	90,004,634	₱47,344,659	₱47,344,659	₱–

SCHEDULE C

CROWN EQUITIES, INC. AND SUBSIDIARIES

Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
DECEMBER 31, 2019

Name of and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts collected	Amounts Written–off	Current	Noncurrent	Balance at End of Year
Healthcare Systems Asia Phils. Inc.	₱78,443,638	₱–	₱–	₱–	₱–	₱78,443,638	₱78,443,638
Crown Central Properties, Corp	15,625,000	–	–	–	–	12,980,763	12,980,763
	94,068,638	–	–	–	–	91,424,401	91,424,401
Allowance for Impairment	(25,079,084)	–	–	–	–	(25,079,084)	(25,079,084)
	₱68,989,554	₱–	₱–	₱–	₱–	₱66,345,317	₱66,345,317

SCHEDULE G

CROWN EQUITIES, INC. AND SUBSIDIARIES

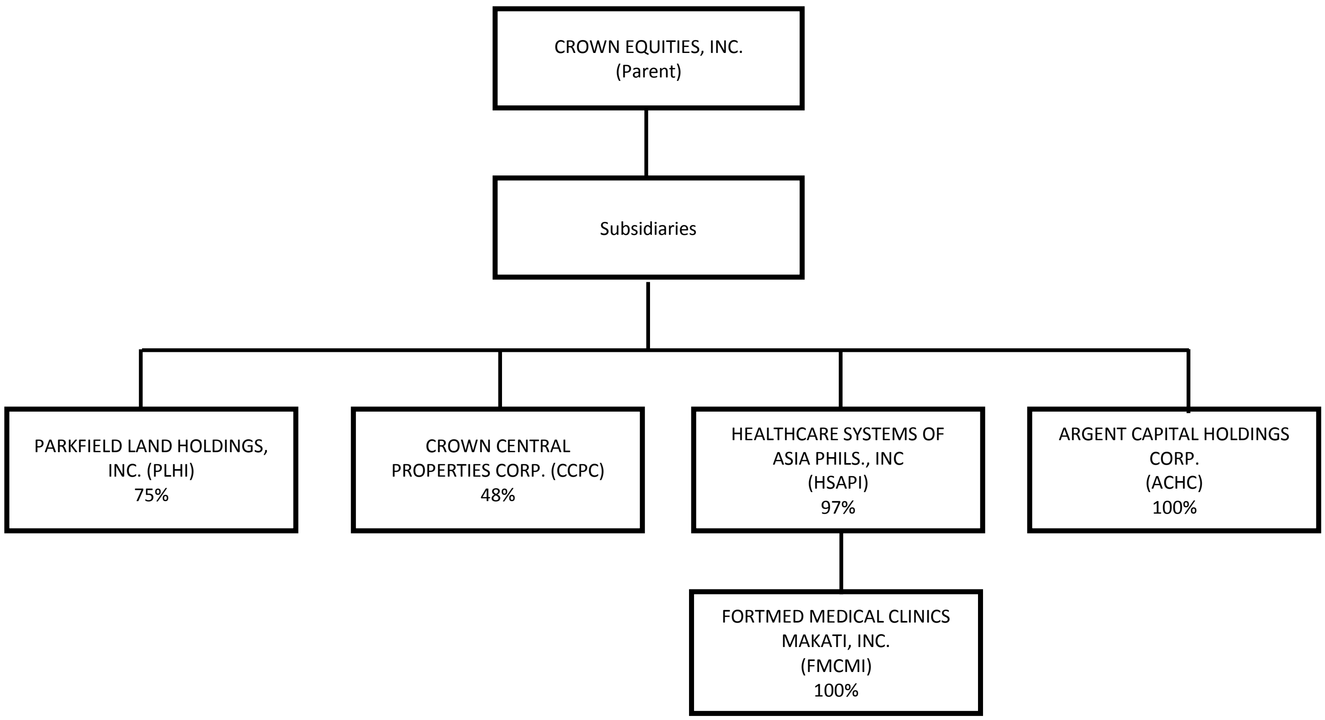
Capital Stock
DECEMBER 31, 2019

				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	Number of shares held by related parties	Directors, officers and employees*	Others
Common Stock	24,000,000,000	14,959,999,950	–	–	887,091,024	14,072,908,926

**includes indirectly held but beneficially owned shares*

CROWN EQUITIES, INC. AND SUBSIDIARIES

CONGLOMERATE MAP
DECEMBER 31, 2019



SUSTAINABILITY REPORT

Annual Sustainability Report 2019

Crown Equities, Incorporated

ANNUAL SUSTAINABILITY REPORT 2019

ANNEX TO SEC FORM 17 – A (ANNUAL REPORT)

CONTENTS

GENERAL INFORMATION

Contextual Information

Company Details	
Name of Organization	Crown Equities, Inc.
Location of Headquarters	Crown Center 158 Jupiter Corner N. Garcia Street, Makati City
Location of Operations	Makati City and Sta. Rosa, Laguna
Report Boundary: *Legal Entities (e.g. Subsidiaries) included in this Report*	This report covers the holding company, Crown Equities, Inc., as well as the following subsidiaries: › FortMED Medical Clinics Makati, Inc. › Crown Central Properties Corporation
Business Model, including Primary Activities, Brands, Products, and Services	Residential Property Development, Ambulatory Services, Clinic Management, Laboratory & Diagnostic Services, Home Medical Services, Executive Check – Up, Physical Therapy, Dental Services, and Corporate Onsite Medical Services
Reporting Period	FY 2019
Highest Ranking Person Responsible for this Report	**MR. EUGENE B. MACALALAG** First Vice - President

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.*

**See GRI 102 – 46 (2016) for more guidance.*

In preparing its first Sustainability Report, the Organization made reference to the Global Reporting Initiative (GRI) Standards, as well as the Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2019.

The Organization adopted the subsequent approach to identify material topics:

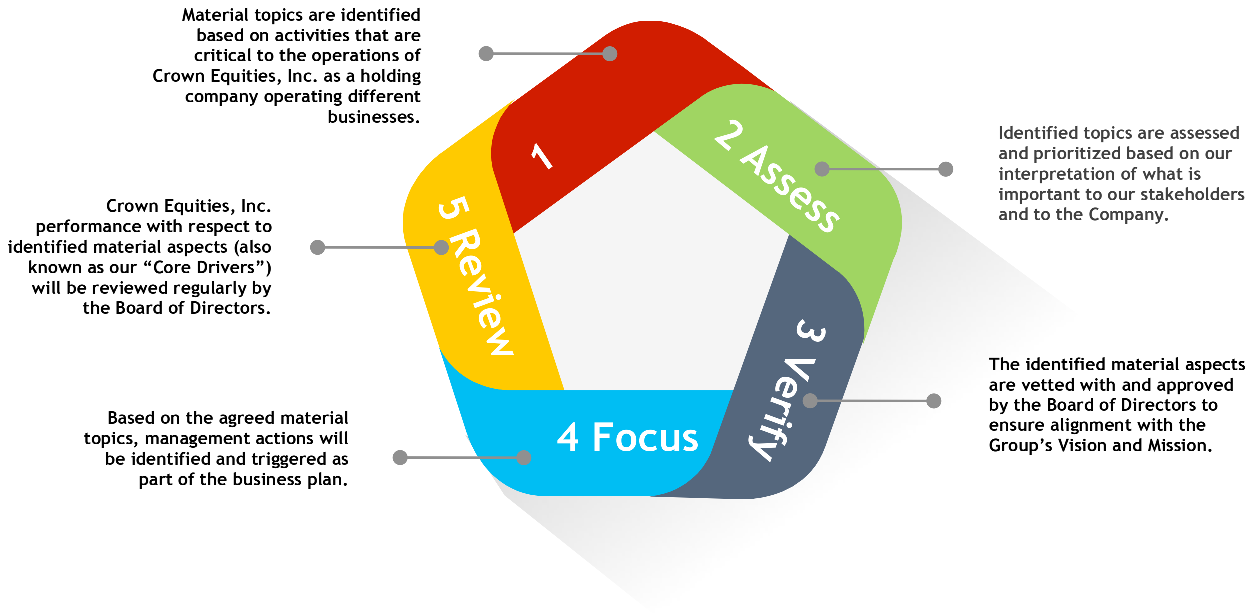


Figure 1 Materiality Assessment Approach

The organization has identified and prioritized the following Core Drivers for the Company and its Stakeholders as duly reflected in its Sustainability Framework based on the Materiality Assessment:

Figure 2 Sustainability Framework

Investment Management	Direct Economic Value Generated Direct Economic Value Distributed
Good Governance	Anti - Corruption (2) Labor - Management Relations
Risk Management	Occupational Health & Safety Customer Privacy Data Security
Responsible Business	Solid & Hazardous Waste Effluents Environmental Compliance Diversity, Equal Opportunity, & Anti - Discrimination
Customer Experience	Customer Satisfaction Customer Health & Safety
Employee Welfare	Employee Hiring & Benefits Employee Training & Development Labor Standards & Human Rights

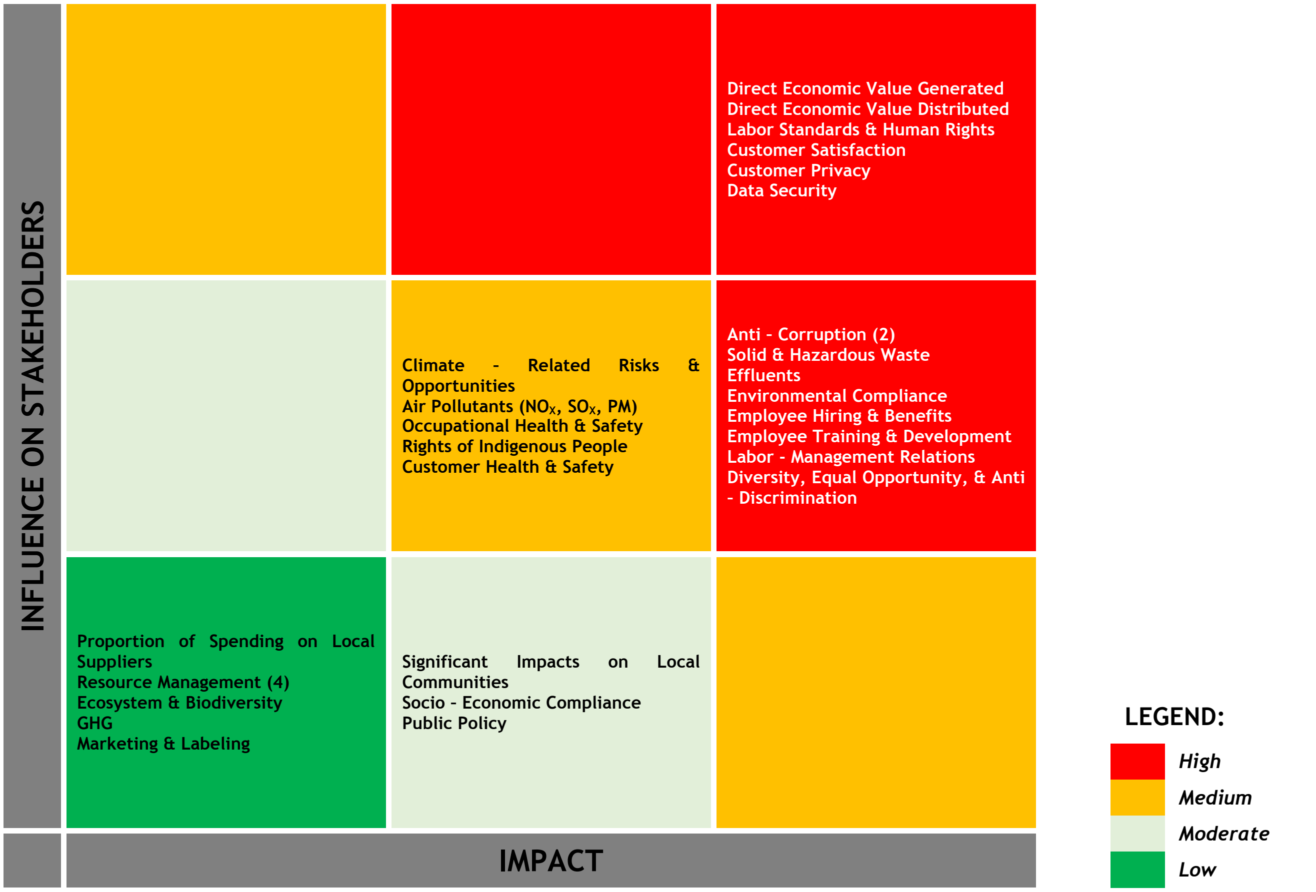


Figure 3 Materiality Assessment Matrix

Data for some disclosure topics in this report are from specific subsidiary(ies) of the Organization and not all Companies within Group. This is reflective of its materiality and relevance to the operation of the Organization and the maturity of data collection systems that are currently in place as first time reporter on sustainability performance. We have provided specific information on such disclosures in the coming sections.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct Economic Value Generated (Revenue)	228,999,250.00	PHP
Direct Economic Value Distributed:		
a. Operating Costs	197,025,679.00	PHP
b. Employee Wages and Benefits	44,987,948.00	PHP
c. Payments to Suppliers, Other Operating Costs	143,230,076.00	PHP
d. Dividends given to Stockholders and Interest Payments to Loan Providers	136,110,982.00	PHP
e. Taxes given to Government	21,782,063.00	PHP
f. Investments to Community (e.g. Donations, CSR)		PHP

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
The impact of the economic performance happens at multiple levels including influence on the shareholder value, amount of money spent to develop local businesses (suppliers), develop local community (CSR), and most importantly ability to support nation building through taxes.	The Stakeholders affected are: - The Shareholders and Investors of the Organization; - The Employees of the Organization; and - The Community where the business operates.	The Organization has undertaken the initiative to conduct regular Executive Committee (ExeCom) meetings as part of the Organization's performance management system. Similarly, the Organization regularly conducts Management Committee (ManCom) meetings to ensure issues raised to the ExeCom have been clearly identified and presented. The Organization further undertakes the initiative to conduct regular engagement

CROWN EQUITIES INCORPORATED

		with its Customers and Employees to ensure a clear and better understanding of their needs and expectations.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
The revenue performance of the Organization can be affected by multiple factors, which include: • Market Volatility that affects the investment plan of the Organization; • Use of social media in expressing Customer and Employee dissatisfaction; and • Poor peer industry review resulting in low Client engagement and retention.	The Stakeholders affected are: • The Shareholders and Investors of the Organization; • The Employees of the Organization; and • The Community where the business operates.	The Organization has undertaken multiple risk management initiatives to overcome these risks. The Organization thoroughly study and discuss proposed investment based on collected empirical data. The Organization has undertaken the initiative to regularly monitor and evaluate Customer and Employee satisfaction. The Organization endeavors to maintain its professional staff through their continuous professional education and provision of incentives based on their performance appraisal. The Organization further conducts regular benchmarking with top industry performers to ensure its overall competitiveness and quality of service.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
There are opportunities to further enhance the revenue performance of the Organization based on: • Continuous market review and study; and	The Stakeholders affected are: • The Shareholders and Investors of the Organization; • The Employees of the Organization; and	The Organization has undertaken the initiative to carefully review collected empirical data to ensure sound judgement on proposed business investments.

Benchmarking with relevant top industry performers.	The Community where the business operates.	The Organization exploits the opportunities presented during the benchmark study to ensure the Organization retains its professional staff and meet and exceed the needs and expectations of its Customers and Employees.

Anti - Corruption

Training on Anti - Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of Employees to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	100.0	%
Percentage of Business Partners to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	100.0	%
Percentage of Directors and Management that have Received Anti – Corruption Training	100.0	%
Percentage of Employees that have Received Anti – Corruption Training	100.0	%

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Acts of corruption has significant impact on the reputation, competitiveness, and morale of the Organization. On the other hand, this can also impact performance of suppliers with ethical practices, diminish shareholder value, and lead to irreparable damage.	The Stakeholders affected are: - The Shareholders and Investors of the Organization; - The Employees of the Organization; - The Suppliers of the Organization; - The Customers of the Organization; and - The Government Regulators.	The Organization has undertaken the initiative to establish and implement anti – corruption practices through an Anti – Corruption Policy incorporated in the Avoiding Conflict of Interest and Policy on Accountability, Integrity, and Vigilance of the Code of Business Conduct and Ethics. These practices have been

		reinforced through regular training for the Employees and annual review of the Suppliers.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
While working with Small to Medium Enterprises (SMEs) as Suppliers, the Organization carries the risk of ensuring the integrity of the adherence to the Organization's anti – corruption practices.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization strives to ensure the strict implementation of its Supplier accreditation process and more importantly, find ways to reinforce it through trainings and Supplier orientation.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
There is an opportunity to intensify training on the anti – corruption policies and practices of the Organization.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization has undertaken the initiative to firmly entrench, regularly practice, and regularly update its anti – corruption policies and practices. As such, the Organization has further undertaken the initiative to intensify its training programs on anti – corruption.

The policy of the Organization on anti – corruption is embedded in the ***Code of Business Conduct and Ethics*** (http://just2078.temp.domains/~crowneq1/code-of-ethics/), as well as in the ***Conflict of Interest Policy*** (http://just2078.temp.domains/~crowneq1/company-policies/).

Incidents of Corruption

Disclosure	Quantity	Units
Number of Incidents in which Directors were Removed or Disciplined for Corruption	0	#

Disclosure	Quantity	Units
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	0	#
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	0	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Acts of corruption has significant impact on the reputation, competitiveness, and morale of the Organization. On the other hand, this can also impact performance of suppliers with ethical practices, diminish shareholder value, and lead to irreparable damage.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization has undertaken the initiative to establish and implement anti – corruption practices through an Anti – Corruption Policy incorporated in the Avoiding Conflict of Interest and Policy on Accountability, Integrity, and Vigilance of the Code of Business Conduct and Ethics. These practices have been reinforced through regular training for the Employees and annual review of the Suppliers.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
While working with Small to Medium Enterprises (SMEs) as Suppliers, the Organization carries the risk of ensuring the integrity of the adherence to the Organization's anti – corruption practices.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization strives to ensure the strict implementation of its Supplier accreditation process and more importantly, find ways to reinforce it through trainings and Supplier orientation.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**

There is an opportunity to intensify training on the anti – corruption policies and practices of the Organization.	The Stakeholders affected are: - The Shareholders and Investors of the Organization; - The Employees of the Organization; - The Suppliers of the Organization; - The Customers of the Organization; and - The Government Regulators.	The Organization has undertaken the initiative to firmly entrench, regularly practice, and regularly update its anti – corruption policies and practices. As such, the Organization has further undertaken the initiative to intensify its training programs on anti – corruption.

The policy of the Organization on anti – corruption is embedded in the ***Code of Business Conduct and Ethics*** (http://just2078.temp.domains/~crowneq1/code-of-ethics/), as well as in the ***Conflict of Interest Policy*** (http://just2078.temp.domains/~crowneq1/company-policies/).

ENVIRONMENT

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total Solid Waste Generated	1,557	Kg
Reusable		Kg
Recyclable	1,557	Kg
Composted		Kg
Incinerated		Kg
Residuals / Landfilled		Kg

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
The operations of the Organization and its Subsidiaries inevitably generates solid and hazardous wastes that, if improperly managed, present potential impacts to human health and the immediate surroundings of the Community where the Organization operates.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes that is suitable for the Organization. The Organization has further undertaken the initiative to designate a dedicated Pollution Control Officer (PCO) who fulfills the responsibility of managing the Organization's compliance to all applicable environmental laws and regulations and of ensuring the consistent implementation of good environmental practices in handling and managing solid and hazardous wastes.

What are the Risk/s Identified?	Which Stakeholders are Affected?	Management Approach
The incidental exposure of the Community where the Organization operates to improperly managed solid and hazardous wastes due to road traffic accident and accidental release or spill may result into long – term ill – health effects for exposed individuals and may eventually lead into limited access to decent life / livelihood.	The Stakeholders affected are: • The Shareholders and Investors of the Organization; • The Employees of the Organization; and • The Community where the business operates.	The Organization ensure its compliance to all applicable environmental laws and regulations and has undertaken the initiative to designate a dedicated Pollution Control Officer (PCO). The designated PCO monitors and ensures that good environmental practices are being consistently implemented in handling and managing the generated solid and hazardous wastes. The designated PCO further ensures that all generated solid and hazardous wastes are appropriately transported, treated, and disposed.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Exploring opportunities to divert wastes away from the landfill supports the aim of the Organization to minimize its environmental footprint.	The Stakeholders affected are: • The Shareholders and Investors of the Organization; • The Employees of the Organization; and • The Community where the business operates.	The Organization has undertaken the initiative to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes that is suitable for the Organization.

Hazardous Waste

Disclosure	Quantity	Units
Total Weight of Hazardous Waste Generated	1,479	Kg
Total Weight of Hazardous Waste Transported	1,479	Kg

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
The operations of the Organization and its Subsidiaries inevitably generates solid and hazardous wastes that, if improperly managed, present potential impacts to human health and the immediate surroundings of the Community where the Organization operates.	The Stakeholders affected are: - The Shareholders and Investors of the Organization; - The Employees of the Organization; and - The Community where the business operates.	The Organization has undertaken the initiative to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes that is suitable for the Organization. The Organization has further undertaken the initiative to designate a dedicated Pollution Control Officer (PCO) who fulfills the responsibility of managing the Organization's compliance to all applicable environmental laws and regulations and of ensuring the consistent implementation of good environmental practices in handling and managing solid and hazardous wastes.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
The incidental exposure of the Community where the Organization operates to improperly managed solid and hazardous wastes due to road traffic accident and accidental release or spill may result into long – term ill – health effects for exposed individuals and may eventually lead into limited access to decent life / livelihood.	The Stakeholders affected are: - The Shareholders and Investors of the Organization; - The Employees of the Organization; and - The Community where the business operates.	The Organization ensure its compliance to all applicable environmental laws and regulations and has undertaken the initiative to designate a dedicated Pollution Control Officer (PCO). The designated PCO monitors and ensures that good environmental practices are being consistently implemented in handling and

		managing the generated solid and hazardous wastes. The designated PCO further ensures that all generated solid and hazardous wastes are appropriately transported, treated, and disposed.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Exploring opportunities to divert wastes away from the landfill supports the aim of the Organization to minimize its environmental footprint.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes that is suitable for the Organization.

Effluents

Disclosure	Quantity	Units
Total Volume of Water Discharges	3,168	Cubic Meters
Percent of Wastewater Recycled	0.0	%

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Improperly managed effluents affects the Organization at multiple levels including the potential loss in revenues due to imposition of monetary fines and non – monetary sanctions, the potential loss of reputation of the Organization due to potential revocation of	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization ensures its compliance to all applicable environmental laws and regulations and has undertaken the initiative to designate a dedicated Pollution Control Officer (PCO). The dedicated PCO monitors

Environmental Compliance Certificate (ECC) and License to Operate (LTO), and the potential impacts to the health and safety of the Community where the Organization operates.		the water consumption of the Organization and ensures that good environmental practices are consistently being implemented. The Organization has also undertaken the initiative of conducting regular maintenance and monthly cleaning of all sewage tanks, as well as quarterly sampling and analysis of its effluents based on the requirements of the Department of Environment and Natural Resources (DENR).
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Scarcity of water supply in the Community where the Organization operates leading into limited access to clean and safe water.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative to recycle its generated wastewater through a grey water system for toilet tanks.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Exploring opportunities to increase the percentage of wastewater being recycled by the Organization.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative of conducting regular maintenance and monthly cleaning of all sewage tanks, as well as quarterly sampling and analysis of its effluents based on the requirements of the Department of Environment and Natural Resources (DENR).

Environmental Compliance

Non – Compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	30,000.00	PHP
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	0	#
No. of Cases Resolved through Dispute Resolution Mechanism	0	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Compliance to all applicable environmental laws and regulations is imperative license to operate as a business. Failure to do so will impact the Organization's reputation, financial performance, livelihood of the Small and Medium Enterprise (SME) Suppliers, and the extended Community.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative to ensure its compliance to all applicable environmental laws and regulations following the payment of monetary fines from non – compliance to the Clean Water Act. The Organization has immediately undertaken cleaning of all sewage tanks, as well as effluent sampling and analysis to prove compliance to the requirements of the Department of Environment and Natural Resources (DENR) of the corrective actions done. The Organization has also undertaken preventive actions of conducting regular maintenance and monthly cleaning of all sewage tanks, as well as quarterly sampling

		and analysis of its effluents based on DENR requirements.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Incidence of non – compliance to any applicable environmental laws and regulations affects the Organization at multiple levels including the potential loss in revenues due to imposition of monetary fines and non – monetary sanctions, the potential loss of reputation of the Organization due to potential revocation of Environmental Compliance Certificate (ECC) and License to Operate (LTO), and the potential impacts to the health and safety of the Community where the Organization operates.	The Stakeholders affected are: - The Shareholders and Investors of the Organization; - The Employees of the Organization; and - The Community where the business operates.	The Organization ensure its compliance to all applicable environmental laws and regulations and has undertaken the initiative to designate a dedicated Pollution Control Officer (PCO). The dedicated PCO ensures that good environmental practices are consistently being implemented.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Benchmarking with the relevant industry top performers to identify means to further enhance the compliance of the Organization to all applicable environmental laws and regulations.	The Stakeholders affected are: - The Shareholders and Investors of the Organization; - The Employees of the Organization; and - The Community where the business operates.	The Organization ensure its compliance to all applicable environmental laws and regulations and has undertaken the initiative to designate a dedicated Pollution Control Officer (PCO). The Organization further undertakes the initiative to safeguard its water and wastewater systems and pipelines through the installation of a pre – treatment facility, which is under the development stage in FY 2019.

SOCIAL

Employee Management

Employee Hiring and Benefits
Employee Data

Disclosure	Quantity	Units
Total Number of Employees*	135	
a. Number of Female Employees	87	#
b. Number of Male Employees	48	#
Attrition Rate**	0.75	Rate
Ratio of Lowest Paid Employee Against Minimum Wage	1:1.04	Ratio

**Employees are individuals who are in employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)*
***Attrition Rate = (No. of New Hires - No. of Turnover) / (Average of Total Number of Employees of Previous Year and Total Number of Employees of Current Year)*

Employee Benefits

Disclosure	Y / N	% Female Employees Who Availed this Year	% Male Employees Who Availed this Year
SSS	Y	71	31
PhilHeath	Y	71	31
PAG – IBIG	Y	71	31
Parental Leaves	Y	2	0
Vacation Leaves	Y	55	10
Sick Leaves	Y	55	17
Medical Benefits *(Aside from PhilHealth)*	Y	71	31
Housing Assistance *(Aside from PAG - IBIG)*	N		
Recruitment Fund *(Aside from SSS)*	N		
Further Education Support	N		
Company Stock Options	N		
Telecommuting	N		

Disclosure	Y / N	% Female Employees Who Availed this Year	% Male Employees Who Availed this Year
Flexible Working Arrangement (FWA)	N		

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Non – competitive employment benefits limits the access to decent life / livelihood for the Employees and may eventually result in a declining trend for the employment rate in the Community where the Organization operates its business	The Stakeholders affected are: › The Employees of the Organization; and › The Community where the business operates.	The Organization ensures its compliance to all applicable laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. In addition, the Organization has undertaken the initiative for incentives and merit increases based on the annual performance review of the Employee and the Organization against set goals.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
The overall competitiveness of the Organization is affected by Employees' dissatisfaction and attrition / loss of Employees to competition.	The Stakeholders affected is the Employees of the Organization.	The Organization has undertaken the initiative to proactively allocate an annual budget for Employee engagement programs.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Benchmarking with the relevant industry top performers to identify means to further enhance the competitiveness of the Organization.	The Stakeholders affected are: › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative to conduct an annual organizational climate survey for the periodic assessment of Employees' satisfaction.

The policy of the Organization on rewards / compensation for employees is embedded in the ***Manual on Corporate Governance*** (http://just2078.temp.domains/~crowneq1/corporate-governance/).

Employee Training and Development

Disclosure	Quantity	Units
Total Training Hours Provided to Employees		
a. Female Employees	128	Hours
b. Male Employees	8	Hours
Average Training Hours Provided to Employees		
a. Female Employees	1.5	Hours / Employee
b. Male Employees	0.2	Hours / Employee

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
Appropriately trained Employees increases the ability of the Organization to operate at the highest standard of business ethics, sustains data privacy, ensures a safe and healthy workplace, and improves customer satisfaction.	The Organization ensures that learning and development opportunities are continuously being provided to all Employees. As such, the Organization has undertaken the initiative to include Training, Personal Development, & Membership in Outside Organization in its Code of Conduct & Policy Manual. The management of the Organization ensures that an approved budget is allocated for training.
What are the Risk/s Identified?	**Management Approach**
The lack of commitment from Employees to proactively participate in the provided training.	The Organization ensures that learning and development opportunities are continuously being provided to all Employees. As such, the Organization has undertaken the initiative to include Training, Personal Development, & Membership in Outside Organization in its Code of Conduct & Policy Manual.

What are the Opportunity/ies Identified?	Management Approach
Appropriately trained Employees enhance the operations of the Organization thru the establishment and implementation of innovative work process.	The management of the Organization ensures that an approved budget is allocated for training.

The policy of the Organization on training and development is embedded in the ***Policy and Data relating to Health, Safety and Welfare of Employees, including Company Sponsored Trainings*** (http://just2078.temp.domains/~crowneq1/company-policies/), as well as in the ***Manual on Corporate Governance*** (http://just2078.temp.domains/~crowneq1/corporate-governance/).

Labor – Management Relations

Disclosure	Quantity	Units
% of Employees Covered with Collective Bargaining Agreements	0	%
No. of Consultations Conducted with Employees Concerning Employee - related Policies	0	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The process of consulting Employees enhances access to decent life / livelihood of the Employees and may eventually result in an increasing trend for the employment rate in the Community where the Organization operates its business.	The Organization ensures its compliance to all applicable laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. In addition, the Organization has undertaken the initiative to establish a grievance procedure for the management of Employees concern. The Organization has also undertaken the initiative to conduct an annual organizational climate survey for the periodic assessment of Employees' satisfaction.

What are the Risk/s Identified?	Management Approach
The overall competitiveness of the Organization is affected by Employees' dissatisfaction and attrition / loss of Employees to competition.	The Organization has undertaken the initiative to proactively allocate an annual budget for Employee engagement programs.
What are the Opportunity/ies Identified?	**Management Approach**
Benchmarking with the relevant industry top performers to identify means to further enhance the competitiveness of the Organization.	The Organization has undertaken the initiative to conduct an annual organizational climate survey for the periodic assessment of Employees' satisfaction.

The policy of the Organization on labor management is embedded in the ***Manual on Corporate Governance*** (http://just2078.temp.domains/~crowneq1/corporate-governance/).

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of Female Workers in the Workplace	64.44	%
% of Male Workers in the Workplace	35.56	%
No. of Employees from Indigenous Community and / or Vulnerable Sector*	1	#

Vulnerable sector includes **elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, **solo parents**, and the poor or the base of the pyramid (BOP: Class D and E).*

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
Diverse and equal employment opportunities enhances access to decent life / livelihood of the Employees and may eventually result in an increasing trend for the employment rate in the Community where the Organization operates its business.	The Organization ensures its compliance to all applicable laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. In addition, the Organization has undertaken the initiative to establish and implement anti – discrimination, anti – harassment, and human rights policies and practices embedded in its

	Code of Business Conduct and Ethics, including an Employee training and awareness programs.
What are the Risk/s Identified?	**Management Approach**
Incidents of discrimination and harassment may lead into the voluntary separation of Employees.	The Organization has undertaken the initiative to establish and implement anti – discrimination, anti – harassment, and human rights policies and practices embedded in the Support for Diversity and Non – Discrimination and Employee Welfare of the Code of Business Conduct and Ethics.
What are the Opportunity/ies Identified?	**Management Approach**
Appropriately informed Employees provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has undertaken the initiative to establish and implement Employee training and awareness programs on anti – discrimination, anti – harassment, and human rights policies and practices reflected in the Support for Diversity and Non – Discrimination and Employee Welfare of the Code of Business Conduct and Ethics.

The policy of the Organization on diversity and equal opportunity employment is embedded in the ***Code of Business Conduct and Ethics*** (http://just2078.temp.domains/~crowneq1/code-of-ethics/), as well as in the ***Manual on Corporate Governance*** (http://just2078.temp.domains/~crowneq1/corporate-governance/).

Workplace Conditions, Labor Standards, and Human Rights

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of Legal Actions or Employee Grievance involving Forced or Child Labor	0	#

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **YES**
http://just2078.temp.domains/~crowneq1/code-of-ethics/

Topic	Y / N	If YES, Cite Reference in Company Policy
Forced Labor	Y	Employee Welfare of the Code of Business Conduct and Ethics
Child Labor	N	
Human Rights	Y	Support for Diversity and Non – Discrimination of the Code of Business Conduct and Ethics Employee Welfare of the Code of Business Conduct and Ethics

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
Compliance to labor rules and regulations is imperative license to do business. Failure to do so will impact the Organization's reputation, financial performance, livelihood of the Small and Medium Enterprise (SME) Suppliers and the extended Community.	The Organization ensures its compliance to the laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. As such, the Organization has undertaken the initiative to establish and implement a Code of Business Conduct and Ethics. The Organization has further undertaken the initiative to establish and implement Employees' grievance mechanisms that will enable the organization to collect and analyze data for work – related issues and concerns of the Employees.
What are the Risk/s Identified?	**Management Approach**
Failure to comply with the relevant and existing labor rules and regulations may result into the loss of confidence of the Community where the Organization operates and may eventually lead into the closure of business.	The Organization ensures its compliance to the laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. As such, the Organization has undertaken the initiative to establish and implement a Code of Business Conduct and Ethics.
What are the Opportunity/ies Identified?	**Management Approach**
Benchmarking with other relevant organization to ensure the implementation of the relevant industry's good labor practices.	The Organization has undertaken the initiative to establish and implement Employees' grievance mechanisms that will enable the organization to collect and analyze data for

	work – related issues and concerns of the Employees.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a Third Party Conduct the Customer Satisfaction Study (Y/N)?
Customer Satisfaction	Outstanding	N

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The overall performance of the Organization is affected by the satisfaction of its Customers. Customers experiencing inconvenience may become physically or verbally abusive that affects the servicing Employee(s) and exposed them to physical, mental, and / or emotional stress.	The Organization ensures the satisfaction of its Customer and has undertaken the initiative to internally measure Patients' satisfaction for the services provided by FortMed Medical Clinics Makati Inc. The Organization further undertakes the initiative to: › Establish and implement an internal tracking system for timely resolution and periodic verification of Customer feedback; › Establish and implement Employee training and awareness programs on Customer engagement and complaints management; and › Improve its Customer engagement and complaints management processes and procedures.
What are the Risk/s Identified?	**Management Approach**
The overall business reputation of the Organization is affected by the dissatisfied Customers.	The Organization has undertaken the initiative to establish and implement an internal tracking system for timely resolution and periodic verification of Customer feedback.
What are the Opportunity/ies Identified?	**Management Approach**
Motivated and appropriately informed Employees manifest excellent Customer	The Organization has undertaken the initiative to establish and implement a Customer service

service and provides assurance that the Organization is operating at a highest standard of business ethics.	culture, including conducting Employee training and awareness programs on Customer engagement and complaints management.

Customer Privacy

Disclosure	Quantity	Units
No. of Substantiated Complaints on Customer Privacy*	0	#
No. of Complaints Addressed	0	#
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	0	#

**Substantiated complaints include complaints from Customers that went through the Organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The Organization values the privacy of its Clients and take it seriously to immediately address incident(s) of breach(es) to Customer privacy as it affects the confidence of the Community where the Organization operates.	The Organization ensures its compliance to the Data Privacy Act of 2012 (RA 10173) and has undertaken initiatives to establish and implement Data Privacy statements and Data Security practices, including the appointment of a dedicated Data Privacy Officer (DPO). The Organization has undertaken initiative to ensure Customer and Client information is only made available to the parties concerned and is not being shared between and among the companies within the Organization. In addition, the Organization undertakes the initiative to establish and implement Employee training and awareness programs on Customer privacy.
What are the Risk/s Identified?	**Management Approach**
The overall business reputation of the Organization is affected by the loss of trust and confidence from the Organization's Shareholders, Investors, Employees,	The Organization has undertaken the initiative to appoint a dedicated Data Privacy Officer (DPO).

Customers, Suppliers, and Government Regulators.	The Organization further undertakes the initiative to continually keep abreast with appropriate data privacy regulations.
What are the Opportunity/ies Identified?	**Management Approach**
Appropriately informed Employees provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has undertaken the initiative to establish and implement Data Privacy statements and Data Security practices. The Organization further undertakes the initiative to establish and implement Employee training and awareness programs on Customer privacy. In addition, the Organization also undertakes the initiative to ensure that implemented data privacy practices are periodically reviewed.

Data Security

Disclosure	Quantity	Units
No. of Data Breaches, including Leaks, Thefts, and Losses of Data	0	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The business confidence of the Organization's Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators linked to unreported incident(s) of data security breach(es) and / or data loss(es) of the Organization.	The Organization ensures its compliance to the Data Privacy Act of 2012 (RA 10173) and has undertaken initiatives to establish and implement Data Privacy statements and Data Security practices, including the appointment of a dedicated Data Privacy Officer (DPO). The Organization has undertaken initiative to continuously improve its Data Security practices, including its periodic review. The Organization further undertakes the initiative to establish and implement Employee training and awareness programs on data

	protection.
What are the Risk/s Identified?	**Management Approach**
The overall business reputation of the Organization is affected by the loss of trust and confidence from the Organization's Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators.	The Organization has undertaken the initiative to appoint a dedicated Data Privacy Officer (DPO). The Organization further undertakes the initiative to ensure that implemented data privacy practices are periodically reviewed. The Organization has also undertaken initiatives to employ IT Staff who keep abreast with data privacy regulations
What are the Opportunity/ies Identified?	**Management Approach**
Appropriately informed Stakeholders of the Organization (Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators) provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has undertaken the initiative to establish and implement Data Privacy statements and Data Security practices. The Organization further undertakes the initiative to establish and implement Employee training and awareness programs on data protection, as well as training programs for IT Staff development.