

COVER SHEET

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

(Company's Full Name)

C R O W N C E N T E R 1 5 8 J U P I T E R

C O R N . G A R C I A S T . B E L

A I R M A K A T I C I T Y

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

ELMER B. SERRANO

Contact Person

(02) 687 1195

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC 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 No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

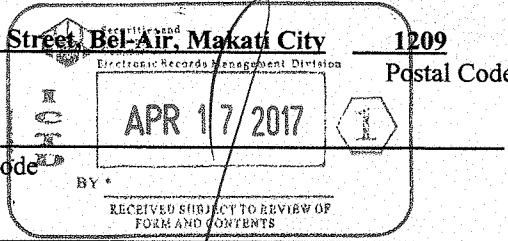
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

- 1. For the fiscal year ended: December 31, 2016
- 2. SEC Identification Number: 39745 3. BIR Tax Identification No.: 002-837-461
- 4. Exact name of registrant as specified in its charter: CROWN EQUITIES, INC.
- 5. Philippines  
Province, Country or other jurisdiction of incorporation or organization
- 6.  (SEC Use Only)  
Industry Classification Code:
- 7. Crown Center, 158 N. Garcia corner Jupiter Street, Bel-Air, Makati City 1209  
Address of principal office Postal Code
- 8. (632) 899-0081, (632) 899-0455  
Registrant's telephone number, including area code
- 9. Not applicable  
Former name, former address, and former fiscal year, if changed since last report.
- 10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA



Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<b>Common shares</b>	<b>13,599,999,960 shares</b>

- 11. Are any or all of these securities listed on the Philippine Stock Exchange.  
Yes [  ] 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 [  ] No [  ]
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes [  ] No [  ]
- 13. Aggregate market value of the voting stock held by non-affiliates: ₱1,781,600,000.00

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## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **(1) Business Development**

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

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

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

#### **(2) Business of Issuer**

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

The subsidiaries of the Corporation that are already in operation are Healthcare Systems of Asia Philippines, Inc., through its subsidiary FortMed Medical Clinics Makati Inc., and Crown Central Properties Corporation. The other subsidiaries 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 122 officers and staff, including 89 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, 2016, the Corporation generated aggregate revenue of P68 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 22% to the total revenue of the Corporation in 2016 having aggregate revenue of P31 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.

### **4. Sky Leisure Properties, Inc.**

Sky Leisure Properties, Inc. (SLPI) was registered with the SEC on February 18, 1998 as joint venture between the Corporation and Perfect Sites, Inc., a wholly-owned subsidiary of Shang Properties, Inc. SLPI was organized primarily to acquire, develop and sell real estate properties. SLPI owns real properties with a total area of 107 hectares in Tagaytay City.

SLPI is a 50%-owned associate of the Corporation. It is being managed by Perfect Sites, Inc. and has not yet started operations. It has no significant business developments during the last five years and has no definite plans to develop significant projects 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 state-of-the-art diagnostic and ambulatory treatment apparatus including a 4-D ultrasound machine and modern laboratory equipment. The clinic offers cardio-pulmonary testing, contemporary day surgery, and full-service 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 equipment, 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 licensed by the Dangerous Drug Board (DDB). License to operate is secured from the Bureau of Food and Drugs of the DOH 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 ₱53 million in 2016 representing clinic sales, retainers fees and special projects.

**(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, 2016 are as follows:

<b>Name of Company</b>	<b>Relationship</b>	<b>Nature of Transaction</b>	<b>2016</b>
Federal Land, Inc.	Stockholder	Due to related parties	₱ 15,114,650
Greenfield Development Corp.	Stockholder	Due to related parties	P98,237

Federal Land, Inc. (FLI) is a shareholder of CCPC which made cash advances to CCPC to finance the acquisition and development of Palma Real located in Biñan, Laguna and for its working capital requirements. Greenfield Development Corporation is a minority shareholder in HSAPI.

Due from related parties are non-interest bearing, unsecured and collectible/payable on demand.

**(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, 2016, 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 or 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 1,747-square meter, 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 Medical 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
2017	January – March	0.198	0.154
2016	October – December	0.169	0.145
	July – September	0.193	0.129
	April – June	0.147	0.121
	January – March	0.129	0.129
2015	October – December	0.123	0.120
	July – September	0.101	0.100
	April – June	0.131	0.128
	January – March	0.150	0.147

As of April 4, 2017, the closing price of the Corporation's common shares was P0.159 per share.

#### (2) Holders

There were 376 shareholders of CEI as of December 31, 2016. The top 20 stockholders on record as of December 31, 2016 are as follows:

	NAME	CITIZENSHIP	TOTAL SHARES	%
1	PCD Nominee Corp.	Filipino	8,031,296,904	59.0537
2	Guild Securities, Inc.	Filipino	4,501,590,712	33.0999
3	Tong, Marie Louise Y.	Filipino	223,550,000	1.6438
4	Tong, Robin Y.	Filipino	223,550,000	1.6438
5	Tong, Wellington Y.	Filipino	223,550,000	1.6438
6	Rieza, Rene Daniel S.	Filipino	80,000,000	0.5882
7	Raquel-Santos, Armand O.	Filipino	40,000,000	0.2941
8	David Go Securities, Corp.	Filipino	28,000,000	0.2059
9	GCV Management & Consulting Corporation	Filipino	21,896,000	0.1610
10	Vergara, Wilfrido V.	Filipino	19,296,000	0.1419
11	Acuna, Emmanuel E.	Filipino	18,376,000	0.1351
12	Linco, Alberto A.	Filipino	15,905,440	0.1170
13	Trans-Asia Securities, Inc.	Filipino	12,868,000	0.0946
14	Lay, Ellen	Filipino	12,000,000	0.0882
15	Pinpin, Elisa T.	Filipino	12,000,000	0.0882
16	Alcantara, Editha	Filipino	8,000,000	0.0588
17	Ong, Roderick Philip	Filipino	8,000,000	0.0588
18	Katsutoshi, Shimizu	Others	5,600,000	0.0412
19	Ongsiako, Margarita	Filipino	4,944,000	0.0364
20	Lee II, Anthony Peter Bryan Tiong	Filipino	4,800,000	0.0353

As of December 31, 2016, the number of common shares owned and held by non-Philippine nationals is 11,460,800.

**(3) Dividends**

- (a) No dividends have been declared on common shares for the last three (3) years.
- (b) There are no restrictions that limit the ability of the Corporation to pay dividends on common equity and no such restriction is expected to arise in the future.

**(4) Recent Sales of Unregistered Securities**

No sale of unregistered securities has been made by the Corporation within the period covered by this report.

**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 2016 and the comparatives presented for 2015 and 2014 comply with all presentation and disclosure requirements.

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

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

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

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

## **(1) Changes in Financial Position and Results of Operation**

### ***Calendar Year Ended December 31, 2016 and 2015***

#### ***Financial Position and Changes in Financial Position***

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

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

Total noncurrent assets declined by ₱46 million primarily due to the collection of non-current portion of the loans receivable and investments in a business venture during the year. Loans to Platinum 168 was fully settled during the year resulting to a decrease in loans receivables to ₱10 million from the previously recorded ₱45.8 million. Likewise property and equipment posted a decrease of ₱7 million to ₱270.5 million as of December 31, 2016 due to depreciation charges during the period. Out of the total ₱1.34 billion non-current assets, ₱697 million pertains to investment properties consisting of properties in Batangas, Bulacan, and Taguig which have higher market values but recorded at cost.

From ₱205.70 million as of December 31, 2015, total liabilities recorded an increase of ₱21.2 million to ₱226.9 million or 10% increase mainly attributable to the increase in liabilities to suppliers, to contractors and other liabilities of which ₱156 million represent customers' deposits, closing fees, doctors' fees, trade liabilities, and accrued liabilities related to property acquisitions. Due to related parties pertain to the advances of our joint venture partner in Palma Real.

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

#### ***Results of Operation***

For the year ending December 31, 2016 the Corporation generated a total revenue of ₱144.4 million, ₱61.12 million of which came from realized real estate sales. Total costs and expenses amounted to ₱135.7 million resulting to a ₱8.7 million operating income. Other income amounted to ₱10.9 million while net income after-tax amounted to ₱12.73 million compared to a ₱12.30 million net income in 2015.

The Parent Company and real estate subsidiaries generated a total revenue of

P91.2 million of which P61.12 million came from realized real estate sales. Total revenue is down by 24% from the P192 million total revenue in 2015 which included sale of 3 lots in Sto. Tomas, Batangas amounting to P36.8 million. In 2016, real estate sales recognized from projects was down by 48% from P116.9 million in 2015. Lot units recognized during the period was 10 units lesser than those recognized in 2015 while the houses recognized sold during the period was 11 units less. There was one unit from Cypress recognized in 2015 and none in 2016.

Meanwhile, the healthcare subsidiary reported a P53.21 million gross revenue which is almost 15% higher than the 2015 levels.

Total costs and expenses for the year was down by 27% to P135.7 million due to lower cost of real estate sales and the related commission expense. This resulted to an operating income of P8.67 million compared to a P11.22 million operating income in 2015. Net other income was at P10.9 million in 2016 primarily from the settlement of BCNet investments where penalties were imposed. This eventually led to a net income after tax of P12.7 million as against a P12.3 million net income after tax for 2015.

### ***Calendar Year Ended December 31, 2015 and 2014***

#### ***Financial Position and Changes in Financial Position***

The total assets as of December 31, 2015 fell slightly by P1.14 million to P1.939 billion compared to the December 31, 2014 level. This was attributed to the increase in total current assets by P18.68 million as compensated by a decrease in total non-current assets by P19.81 million.

From P536.64 million, total current assets increased to P555.32 million as of December 31, 2015 mainly dictated by increases in receivables classified as current. Inventories decreased by P20.14 million while on the other hand, financial assets at fair value increased by 30% resulting from additional position and market values. Residual cash was likewise higher than the previous level by P1.4 million.

Total noncurrent assets declined by P19.81 million or 1% primarily due to the disposal of a portion of the investment property in Batangas in 2015. There was already a previous disposal of a portion of this property in 2014. In addition, collection and reclassification of loans receivable caused the reduction in the non-current assets by P4.17 million or 8.33%. Property and equipment likewise posted a decrease of P7.35 million or 2.58% to P277.87 million as of December 31, 2015 due to the depreciation charges during the period. Also, the noncurrent portion of the installment contracts receivables increased by P1.58 million as the real estate business continued to generate sales.

Total liabilities went down by P16.81 million or 8% to P205.70 million as of December 31, 2015 from P222.5 million as of December 31, 2014. This was mainly driven by the decreases in due to related parties as payments continued during the period. Accounts payable and accrued liabilities likewise decreased by P7.54 million or 5.27% as obligations continue to be met on time given the regular cashflows.

Finally, total equity increased by P15.67 million to P1.73 billion as of December 31, 2015. There was P2.92 million collection from subscriptions receivable and a reported actuarial gain of P442,718 during the period. Likewise, as the Corporation continued to generate positive bottom line, retained earnings increased by P6.34 million or 6% while non-controlling interest increased by P5.96 million.

### Results of Operation

The net income of the group for the year 2015 amounted to P12.30 million.

The Company generated total revenues of P192.01 million in 2015 as against the P195.05 million revenue realized in 2014. This was mainly driven by real estate sales which was slightly higher compared to the 2014 level. Though revenues from sale of services went down by P5.5 million, real estate sales remain to be the main contributor in the revenue streams contributing 61% of the total revenue. Interest on installment contracts receivable increased significantly by P6.34 million or 78% to P14.49 million.

Total cost of sales and services recorded a net increase of P6.4 million or 9%. Higher cost of sales for the period pulled up total costs and expenses. Cost of real estate sales increased by P10.3 million to P61 million compensating for the decrease in cost of services which went down by P3.76 million resulting from lower revenues for the period. Other operating expenses increased by P9.15 million.

Other income significantly increased by P8.0 million or 11x the 2014 level of P776 thousand. This came as a result of improvement in interest rates on bank placements of excess cash, unrealized foreign exchange gain, realized gain on sale of financial assets, and reversal of liabilities.

### **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 2016	Dec 2015	Dec 2014	
Current Ratio	2.98x	2.87x	2.77x	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Cash Ratio	1.25x	1.05x	0.96x	$\frac{\text{Cash and Cash equivalents}}{\text{Current Liabilities}}$
Debt-Equity Ratio	0.13x	0.12x	0.13x	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Debt-Asset Ratio	0.11x	0.11x	0.11x	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset-Equity Ratio	1.13x	1.12x	1.13x	$\frac{\text{Total Asset}}{\text{Total Equity}}$
Interest Coverage Ratio	Nil	Nil	Nil	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense}}$

Net Income Margin	8.82%	6.41%	10.47%	$\frac{\text{Net Income}}{\text{Net Revenues}}$
Investment Ratio	0.47x	0.48x	0.48x	$\frac{\text{Total Investment and Advances}}{\text{Total Asset}}$
Return on Assets	0.65%	0.63%	0.99%	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Earnings Per Share	0.00076	0.00047	0.00139	$\frac{\text{Net Income after Minority Interest}}{\text{Total Shares Subscribed}}$

### Liquidity

Current ratio improved to 2.98x as of December 31, 2016 compared to 2.87x as of December 31, 2015 as cash levels increased resulting from full collection of loans receivable. Cash ratio likewise increased to 1.25x as of December 31, 2016 from 1.05x as of December 31, 2015.

Current ratio increased to 2.87x as of December 31, 2015 compared to 2.77x as of December 31, 2014. This resulted from the reduction of due to related party wherein a payment to Federal Land was made for the period. Cash ratio also increased to 1.05x as of December 31, 2015 from .96x as of December 31, 2014.

### Solvency/Leverage

The increase in customers' deposits during the period created an upswing in the Company's liabilities as of December 31, 2016 slightly increasing the debt equity ratio to 0.13x from 0.12x as of December 31, 2015. Consequently, debt-asset ratio barely moved from 0.11x as of December 31, 2015 and asset-equity ratio slightly increased to 1.13x as of December 31, 2016 from 1.12x as of December 31, 2015. The Company has a nil interest coverage ratio as it has zero loans and therefore no interest expense was realized in 2016 and 2015.

The debt-equity ratio decreased to 0.12x as of December 31, 2015 compared to 0.13x as of December 31, 2014 which implies a lower leverage. The debt-asset remains the same as of December 31, 2015 and 2014. However, the asset-equity has decreased to 1.12x from 1.13x as of December 31, 2015 and 2014, respectively. The Company has a nil interest coverage ratio as it has zero loans and therefore no interest expense was realized in 2015 and 2014.

### Investment Ratio

Investment ratio slightly fell to 0.47x as of December 31, 2016 from 0.48x as of December 31, 2015 due to the depreciation of rentable space. There has neither been a significant acquisition nor sale of investment property during the period.

The investment ratio remained the same at 0.48x as of December 31, 2014 and 2015 as there were no significant movement in those assets.



### Profitability

A slight improvement in the net income margin was registered at 8.82% in 2016 compared to 6.41% in 2015 due to higher other income during the period.

There is a significant decrease in net income margin from 10.47% as of December 31, 2014 to 6.41% as of December 31, 2015 due to non-recurrent revenue that materialized in 2014 which was the sale of Batangas property.

### Return on Assets

A slightly higher net income for the period increased return on assets to 0.65% from the previous year's 0.63%.

Return on assets decreased to .63% as of December 31, 2015 from .99% as of December 31, 2014 because of the non-recurring income generated during the year 2014.

### Earnings Per Share

There were no increase in the number of outstanding shares. Earnings per share increased slightly to P0.00076 from P0.00047 in 2015.

Earnings per share decreased to 0.00047x as of December 31, 2015 from 0.00139x as of December 31, 2014 due to lower net income during the year.

### **(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 P61.12 million. The healthcare business also generated P52.94 million during the year – a double-digit increase from the previous year's P46.19 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 P61.12 million revenues in 2016 accounting for 43% of total revenue. Future sales are still expected to improve as Palma Real is now accessible both from the Sta. Rosa-Tagaytay road and from the Mamplasan exit of the South Luzon Expressway. Moreover, the project is seen to benefit from the booming Sta. Rosa residential market and the upcoming construction of Cavite-Laguna Expressway.

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

transactions, arrangements, obligations (including contingent obligation), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

The Corporation and its subsidiaries have neither issued nor invested in any financial instruments or complex securities that will make them susceptible to the effects of any global financial condition. They have neither foreign currency denominated nor local peso denominated loans. The Corporation's financial risk exposure is limited to its investments in the equities market reported as "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, R.G. Manabat & Co. to handle the independent audit of the Corporation for 2016 and is also being considered to handle the independent audit of the Corporation for year 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 P1,030,400 million in 2016 and 2015. 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.

### **PART III - CONTROL AND COMPENSATION INFORMATION**

#### **Item 9. Directors and Executive Officers of the Corporation**

##### **a. Directors and Executive Officers**

**George L. Go**, 75 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**, 71 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**, 84 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**, 74 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. from 1979 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**, 71 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**, 49 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**, 49 years old, Filipino, has been a member of the Board of Directors of the Corporation since May 2003. He is the First Vice President of the Corporation. Mr. Macalalag is a Director and Treasurer of Healthcare Systems of Asia Philippines, Inc. and FortMED Medical Clinics Makati, Inc. He is also the

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

**Mr. David O. Chua**, 49 years old, Filipino, has been a member of the Board of Directors of the Corporation since 2007. He is the President of Cathay Pacific Steel Corporation and Asia Pacific Capital Equities and Securities Corporation. He is currently a Director of the Philippines Stock Exchange, Hardware Foundation of the Phils., and Galleria Corporate Center Condominium Corp. He is also an Advisory Board Member of Metropolitan Bank and Trust Company and Vice President of the Federation of the Filipino Chinese Chambers of Commerce and Industry, Inc. He is a Trustee of University of the East and University of the East Ramon Magsaysay Memorial Medical Center. He has held the positions for the last five years. Mr. Chua is also the President of the Philippine Steelmakers Association, Chairman of the 2011 Philippine Business Conference Philippine Chamber of Commerce and Industry, and was the President of the Kellogg/ Northwestern University Alumni Association of the Philippines. He was formerly a Director of The Philippine Stock Exchange (PSE), Philippine Savings Bank (PSB), First Metro Investments Corp., and the Chairman of the Philippine Institute of Quezon City (PIQC) and the National Employer's Conference of the Employers' Confederation of the Philippines (ECPO). Mr. Chua has a Bachelor of Science in Financial Services Management, Honors Degree from St. Mary's College in California, U.S.A. and a Master in Business Administration (MBA) from the Kellogg School of Business of Northwestern University, Evanston, Illinois, U.S.A. and the Graduate School of Business of the Hong Kong University of Science and Technology.

**Mr. Romuald U. Dy Tang**, 65 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**, 65 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**, 45 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**, 32 years old, Filipino, is the Assistant Vice President of the Corporation. Mr. Dy has been a member of the Board of Directors of the Corporation since May 2011. He is also the Vice President of Crown Central Properties Corporation. He also served as the purchasing officer of FortMED Medical Clinics in 2010. He took up securities training in Guild Securities, Inc. from 2009 to 2010 and worked for 3M Philippines for the Projections Systems and Optical Systems divisions. He was also the General Manager of Gold Crest Holdings, Inc. from 2006 to 2008 and a Property Specialist of Ayala Land Premier in 2006. He earned his Bachelor of Science in Management, Major in Management Communications Technology from the Ateneo de Manila University. He is the son of Mr. Romuald U. Dy Tang.

**Mr. Nixon Y. Lim**, 47 years old, Filipino, has been a member of the Board of Directors since July 22, 2014. Mr. Lim is currently the Chairman of Steniel Manufacturing Corporation, serving as such since 2011. He is also the Chairman of Steniel Cavite Packaging Corporation and Steniel Land Corporation since 2012. He is also the President of Steniel Mindanao Packaging Corporation, Green Siam Resources Corporation, Greenstone Packaging Corporation, Greenkraft Corporation, Corbox Corporation, and Golden Bales Corporation. Prior to this, he has had work experience in the packaging business particularly in the fields of sales, marketing, manufacturing and finance. He holds a degree in BS Physics from De La Salle University, Manila, having graduated in 1992.

**Mr. Benedicto C. Legazpi, Jr.**, 62 years old, Filipino, is an independent director of the Corporation. An independent real estate practitioner, Mr. Legazpi was formerly Executive Vice President at Metropolitan Bank & Trust Company and Senior Vice President and Chief Credit Officer at Far East Bank and Trust Company. He was past director of Charter Ping An Insurance Corporation, Philippine Charter Insurance Corporation, Bacnotan Steel Industries, FEB Leasing Corporation, FEB Exchange, Inc. and Vitarich Corporation. He was also chairman of the Credit Committee of Megalink, Inc. He attended the Executive Development Program of the Asian Institute of Management where he was cited for Superior Performance and graduated from the Ateneo de Manila University with a BS in Management (Honorable Mention).

**Mr. Victor C. Macalincag**, 81 years old, Filipino, has been an Independent Director of the Corporation since May 27, 2003. He is the Chairman of the Audit Committee and a Member of the Executive Committee, Nominations Committee and the Compensation and Remuneration Committee of the Corporation. He currently holds Directorship in the following Subsidiaries: Healthcare Systems of Asia Philippines, Inc. and FortMED Medical Clinics Makati, Inc. Mr. Macalincag is also an Independent Director of Semirara Mining and Power Corporation, Republic Glass Corp., SEM Calaca Power Corporation, ISM Corporation, Atok Big Wedge Corporation, Alphaland Corporation and Philweb Corporation. He is also a director of One Wealth Nation (OWN) Balanced Fund and a Director of Asian Alliance Investment Corporation. He was the President of Trade & Investment Development

Corporation of the Philippines which is presently known as PHIL EXIM (formerly PhilGuarantee) from 1991 until his resignation in 2001. He was the Deputy Minister of Finance from 1981 to 1986 and Undersecretary of Finance from 1986 to 1991. He also held the position of National Treasurer from 1981 to 1988. Other positions he held were as follows: Director of Home Guaranty Corporation, Philippine Overseas Construction Board, Philippine Long Distance Telephone Co. (PLDT) from 1988 to 1995, National Power Corporation from 1978 to 1986 and the Philippine Deposit Insurance Corporation from 1983 to 1991. He was also Chairman of Pilipinas Bank and Executive Vice- President of Land Bank of the Philippines. Mr. Macalincag is a Certified public Accountant. He has a Bachelor of Science in Business Administration from the University of the East. He also completed academic requirements for a Masteral Degree in Economics from the same University. He finished a fellowship program conducted by Economic Development Institute of the World Bank, Washington D.C. in 1971.<sup>1</sup>

#### **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 2015, 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:

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<sup>1</sup> Mr. Victor C. Macalincag passed away last March 30, 2017.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS (Amounts in Peso Millions)					
Name and Principal Position	Year	Salary/Fees	Bonus	Other Annual Compensation	Total
Compensation of Executive Officers George L. Go, Chairman Romuald U. Dy Tang, President Eugene B. Macalalag, First VP Antonio B. Alvarez, Treasurer	2017*	P3.88	P1.26	P1.02	P6.16
	2016	P3.70	-	P0.97	P4.67
	2015	P4.13	P1.75	P0.78	P6.66
All Other Directors and Officers as a Group	2017*	P5.05	P0.63	P1.99	P7.67
	2016	P4.81	-	P1.90	P6.71
	2015	P1.20	P0.61	P1.80	P3.61

\* Estimate

### 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, 2016, 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. <sup>1</sup> 37/F Tower 1 Enterprise Center Ayala Ave. cor. Paseo de Roxas, Makati City	8,031,296,904	59.0537%
Common shares	Guild Securities, Inc. (Filipino) 1215 Tower One and Exchange Plaza, Ayala Avenue, Makati City	4,501,590,712	33.0999%

<sup>1</sup> 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	3,164,684,800	23.2697%
First Orient Securities, Inc. (Filipino) Unit 1201 Ayala Triangle Tower One Ayala Avenue, Makati City	1,382,288,472	10.1639%
Marian Securities, Inc. (Filipino) Unit B 26-1-11 Floor Export Bank Plaza Chino Roces Ave. cor. Gil Puyat Ave., Makati City	977,066,000	7.1843%

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

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



## (2) Security Ownership of Directors and Management

Security ownership of Management and Directors as of December 31, 2016 is as follows:

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and nature of Beneficial Ownership</u>	<u>Citizenship</u>	<u>Percent of Ownership</u>
<b>A. Directors</b>				
Common Shares	Patrick D. Go	181,420,000 <sup>db1</sup>	Filipino	1.333%
Common Shares	George L. Go	136,950,800 <sup>db2</sup>	Filipino	1.007%
Common Shares	Wilfrido V. Vergara	22,576,000 <sup>db3</sup>	Filipino	0.166%
Common Shares	Ramon A. Recto	10,880,000 <sup>db4</sup>	Filipino	0.080%
Common Shares	David O. Chua	400,000 <sup>d</sup>	Filipino	0.003%
Common Shares	Conrado G. Marty	80,008 <sup>d</sup>	Filipino	0.001%
Common Shares	Christopher Brian C. Dy	20,000 <sup>d</sup>	Filipino	nil
Common Shares	Salvador P. Escano	10,000 <sup>d</sup>	Filipino	nil
Common Shares	Melvin O. Vergara	10,000 <sup>d</sup>	Filipino	nil
Common Shares	Isidro Consunji	8,000 <sup>d</sup>	Filipino	nil
Common Shares	Victor C. Macalincag	80 <sup>d</sup>	Filipino	nil
Common Shares	Nixon Y. Lim	364,140,000 <sup>d</sup>	Filipino	2.677%
Common Shares	Benedicto C. Legazpi, Jr.	10,000 <sup>d</sup>	Filipino	nil
<b>B. Executive Officers</b>				
Common Shares	Antonio B. Alvarez	177,600 <sup>d</sup>	Filipino	0.001%
Common Shares	Romuald Dy Tang	76,720,000 <sup>db5</sup>	Filipino	0.564%
Common Shares	Eugene B. Macalalag	6,800,080 <sup>db6</sup>	Filipino	0.050%
<b>C. Directors and Officers as a Group</b>		800,202,568		5.884%

<sup>d</sup> – these are directly owned by the aforementioned director or officer

<sup>db1</sup> – 44,412,000 of these are registered in one of the PCD member companies but beneficially owned by the director

<sup>db2</sup> – 132,950,000 of these are registered in one of the PCD member companies but beneficially owned by the director

<sup>db3</sup> – 3,280,000 of these are registered in one of the PCD member companies but beneficially owned by the director

<sup>db4</sup> – 10,000,000 of these are registered in one of the PCD member companies but beneficially owned by the director

<sup>db5</sup> – 76,700,000 of these are registered in one of the PCD member companies but beneficially owned by the director

<sup>db6</sup> – 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 - EXHIBITS AND SCHEDULES**

##### **Item 13. Exhibits and Reports on SEC Form 17-C**

###### **(1) Exhibits**

Audited Financial Statements

Annex A

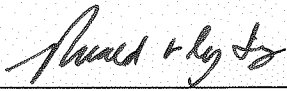
###### **(2) Reports on SEC Form 17-C from January 1 to December 31, 2016**

<b>Date of Disclosure</b>	<b>Subject</b>
February 23, 2016	Setting of the 2016 Annual Shareholders' Meeting and Record Date
May 24, 2016	Submission of Results of Annual Shareholders' Meeting and Organizational Board Meeting
August 30, 2016	Resignation of Mr. Isidro A. Consunji as director and election of Mr. Benedicto C. Legazpi, Jr. as independent director
December 28, 2016	Report on Attendance of directors in board meetings for 2016

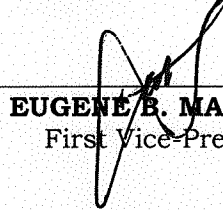
**SIGNATURES**

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

By:



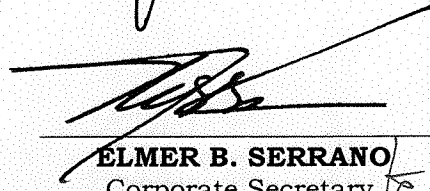
**ROMUALD U. DY TANG**  
President



**EUGENE B. MACALALAG**  
First Vice-President



**ANTONIO B. ALVAREZ**  
Treasurer

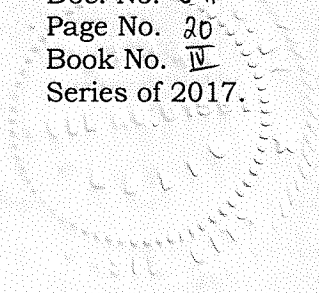


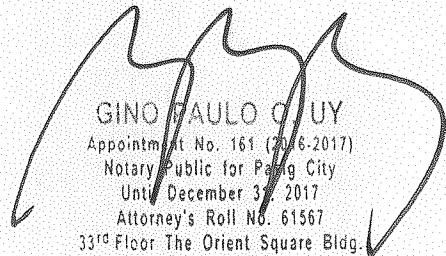
**ELMER B. SERRANO**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2017 affiant  
exhibiting to me their Tax Identification Number, as follows:

<b>NAMES</b>	<b>TIN</b>
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. 091  
Page No. 20  
Book No. IV  
Series of 2017.



  
**GINO PAULO C. UY**  
 Appointment No. 161 (2016-2017)  
 Notary Public for Pasig City  
 Until December 31, 2017  
 Attorney's Roll No. 61567  
 33<sup>rd</sup> Floor The Orient Square Bldg.  
 F. Ortigas Jr. Road Ortigas Center Pasig City  
 PTR No. 2514667; 01.04.17; Pasig City  
 IBP No. 1057592; 01.05.17; RSM  
 CLE Compliance No. 0014106 Valid Until 04.14.2019

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

A	-	1	9	9	6	-	3	9	7	4	5
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### COMPANY NAME

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

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

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

Form Type

A A F F S

Department requiring the report

Secondary License Type, If Applicable

### COMPANY INFORMATION

Company's email Address

cei@crownequitiesinc.com

Company's Telephone Number/s

899-0081

Mobile Number

No. of Stockholders

376

Annual Meeting (Month / Day)

May 23, 2017

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Eugene B. Macalalag

Email Address

ebm@crownequities.co  
m

Telephone Number/s

899-0081

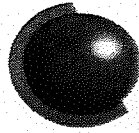
Mobile Number

### 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 of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*



**CROWN EQUITIES**  
I N C O R P O R A T E D

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**




The management of **Crown Equities, Inc. and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2016 and 2015 in accordance with the Philippine Financial Reporting Standards, including the following additional supplemental information filed separately from the basic financial statements:

- a. Supplementary Schedules required under Annex 68-E of the Securities Regulation Code Rule 68;
- b. Reconciliation of Retained Earnings Available for Dividend Declaration;
- c. Schedule of Philippine Financial Reporting Standards and Interpretation adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2016; and
- d. Map showing the relationship between and among the Company and its related entities.

Management responsibility on the financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews the consolidated statements and the additional supplemental information and submits the same to the stockholders.

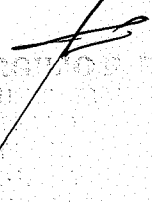
R.G. Manabat & Co., the independent auditors appointed by the stockholders, have examined the financial statements of the Bank in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

 <b>GEORGE L. GO</b> Chairman of the Board	 <b>ROMUALD U. DY TANG</b> President	 <b>ANTONIO B. ALVAREZ</b> Treasurer
---	---	---

**SUBSCRIBED AND SWORN** to before me this 04 APR 2017 affiants exhibiting to me their Tax Identification Number as follows:

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

Doc. No. 460  
Page No. 95  
Book No. 07  
Series of 2017.

  
**ATTY. VIRGILIO S. BATALLA**  
NOTARY PUBLIC  
OFFICE OF THE NOTARY PUBLIC  
CITY OF MAKATI  
REPUBLIC OF THE PHILIPPINES  
I.B.P.O. No. 70452  
PTR No. 0800  
BIRTHDAY: 08/11/1950  
MAKATI, CITY OF MAKATI, METRO MANILA, PHILIPPINES

**CROWN EQUITIES, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2016, 2015 and 2014**



R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
Email ph-inquiry@kpmg.com.ph

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Crown Equities, Inc. and Subsidiaries  
Crown Center, 158 Jupiter corner N. Garcia Streets  
Makati City

### *Opinion*

We have audited the consolidated financial statements of Crown Equities, Inc. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising significant accounting policies and other explanatory information.

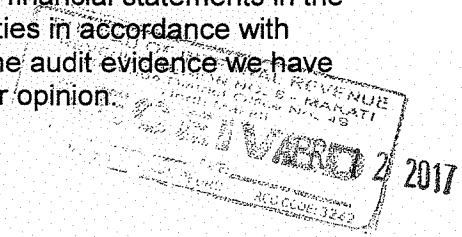
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, 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 our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017  
pursuant to Board Resolution No. 37 s. of 2017  
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017  
IC Accreditation No. F-2014/014-R, valid until August 26, 2017  
BSP Accredited, Category A, valid until December 17, 2017

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.





### *Key Audit Matter*

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### *Impairment of Goodwill*

Refer to Note 3 to the consolidated financial statements for the Group's policy on impairment of Goodwill.

The Group has goodwill amounting to P21.74 million as at December 31, 2016 which is attributable to the Group's acquisition of control over Healthcare Systems of Asia Philippines, Inc. and Fortmed Medical Clinics Makati, Inc. (FMCMI).

### *The Risk*

Under PFRS, the Group is required to annually test goodwill for impairment. This assessment requires the exercise of significant judgment about future market conditions, including growth rates and discount rates, particularly those affecting the business of FMCMI. The key assumptions to the impairment test are disclosed in Note 14 to the consolidated financial statements.

Goodwill would be impaired where its recoverable amount has fallen below its carrying value. We consider the impairment of goodwill to be significant audit risk because of the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability.

### *Our Response*

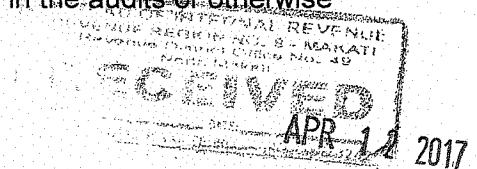
Our audit procedures included, among others, obtaining the Group's discounted cash flow model that tests the carrying value of goodwill, and we focused on evaluating the reasonableness of key assumptions used by management in conducting the impairment review. These procedures included evaluating the key inputs and assumptions for the growth and discount rates; reviewing the cash flows used, with comparison to recent performance and trend analysis, and by reference to prior year's forecast, where relevant, assessing whether the Group has achieved them.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, 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, 2016 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 audits 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.

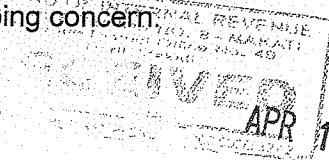
Those charged with governance are responsible for overseeing the Group's financial reporting process.

## *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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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 Dindo Marco M. Dioso.

**R.G. MANABAT & CO.**

DINDO MARCO M. DIOSO

Partner

CPA License No. 0095177

SEC Accreditation No. 1387-A, Group A, valid until April 30, 2017

Tax Identification No. 912-365-765

BIR Accreditation No. 08-001987-30-2016

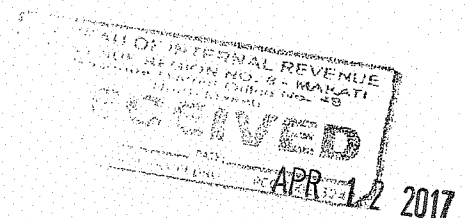
Issued October 18, 2016; valid until October 17, 2019

PTR No. 5904925MD

Issued January 3, 2017 at Makati City

April 8, 2017

Makati City, Metro Manila



**ROWEL BURBOS ESTEBAN**  
**CERTIFIED PUBLIC ACCOUNTANT**

Office Address 1: Unit D606, Viverde Lofts, P. Dominga Street, Manila  
Office Address 2: 09 Sinulatan Second, Camiling, Tarlac  
Contact: 0917-5571928 / rowel\_best@yahoo.com

**INDEPENDENT PRACTITIONER'S COMPILATION REPORT**

The Board of Directors and Stockholders  
Crown Equities, Inc. and Subsidiaries  
Crown Center, 158 Jupiter corner N. Garcia Streets  
Makati City

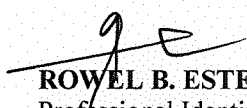
I have compiled the accompanying financial statements of **Crown Equities, Inc. and Subsidiaries** based on information you have provided. These financial statements comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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


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



**ROWEL B. ESTEBAN**  
Professional Identification Number 121715  
Valid Until : January 23, 2019  
BOA Application Number 2016-1693 granted provisional accreditation valid until April 30, 2017 pursuant to PRC/BOA Resolution No. 37-2017

March 31, 2017

**01 APR 2017**  
SUBSCRIBED AND SWORN TO BEFORE ME THIS  
AT MAKATI CITY AFFIANT EXHIBITED TO ME HIS/HER  
ID No. \_\_\_\_\_



**ATTY. VIRGILIO R. BAYALLA**  
NOTARY PUBLIC FOR MAKATI CITY  
APPT. NO. M-88  
UNTIL DEC. 31, 2018  
ROLL OF ATTY. NO. 48348  
MCLE COMPLIANCE NO. IV-0016333-4/10/13  
I.B.P.O.R No. 706762, LIFETIME MEMBER JAN 29, 2007  
PTR No. 590-90-82 JAN. 3, 2017  
EXECUTIVE BLDG. CENTER  
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

DOC. NO. 716  
PAGE NO. 08  
BOOK NO. 15  
SERIES OF, 2017

**CROWN EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6, 32, 33	P267,841,454	P204,010,289
Financial assets at fair value through profit or loss	7, 32, 33	42,020,983	31,951,632
Installment contract receivables - current portion	9	14,431,330	17,829,446
Trade and other receivables - net	10	75,470,389	45,676,878
Loans receivable - current portion	12, 32, 33	-	12,500,000
Inventories	11	178,530,936	186,489,381
Other current assets	17	57,992,268	56,860,240
<b>Total Current Assets</b>		<b>636,287,360</b>	<b>555,317,866</b>
Available-for-sale financial asset	8, 34	47,344,659	47,344,659
Installment contract receivables - net of current portion	9	51,014,766	52,213,086
Loans receivable - net of current portion	12, 32, 33	10,000,000	45,833,333
Property and equipment - net	15	270,527,029	277,872,718
Investment properties - net	16	696,674,363	695,413,822
Investment in and advances to a joint venture - net	13	234,438,556	234,438,556
Deferred tax assets	27	945,776	1,630,836
Goodwill	14	21,740,604	21,740,604
Other noncurrent assets	17	4,758,659	7,030,045
<b>Total Noncurrent Assets</b>		<b>1,337,444,412</b>	<b>1,383,517,659</b>
		<b>P1,973,731,772</b>	<b>P1,938,835,525</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts and other payables	18	P154,489,372	P135,415,322
Due to related parties	21	15,212,887	15,212,887
Subscriptions payable	19	42,158,700	42,158,700
Income tax payable		1,723,056	791,469
<b>Total Current Liabilities</b>		<b>213,584,015</b>	<b>193,578,378</b>
<b>Noncurrent Liability</b>			
Retirement liability	30	13,355,359	12,119,432
<b>Total Liabilities</b>		<b>226,939,374</b>	<b>205,697,810</b>
<b>Equity</b>			
Capital stock	20	1,348,035,906	1,348,035,906
Additional paid-in capital		118,570,274	118,570,274
Retained earnings		117,313,184	106,933,349
Retirement benefits reserve	30	2,515,851	1,636,864
<b>Total Equity Attributable to Equity Holders of the Parent Company</b>		<b>1,586,435,215</b>	<b>1,575,176,393</b>
<b>Noncontrolling Interests</b>	5	<b>160,357,183</b>	<b>157,961,322</b>
<b>Total Equity</b>		<b>1,746,792,398</b>	<b>1,733,137,715</b>
		<b>P1,973,731,772</b>	<b>P1,938,835,525</b>

See Notes to the Consolidated Financial Statements.

**CROWN EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2016	2015	2014
<b>REVENUES</b>				
Real estate sales	22, 28	P61,122,951	P116,928,065	P116,107,646
Sale of services		52,941,000	46,195,790	51,699,892
Interest on installment contract receivables	9	10,982,997	14,485,828	8,149,438
Interest on loans receivable	12	5,582,785	6,075,090	5,843,127
Rent income	29	10,121,141	7,713,869	5,624,685
Investment income		2,823,500	-	-
Sale of goods		266,481	293,038	426,662
Dividend income	8	559,354	317,107	7,200,371
		<b>144,400,209</b>	<b>192,008,787</b>	<b>195,051,821</b>
<b>COST AND EXPENSES</b>				
Cost of sales and services	23	47,964,672	80,065,513	73,666,409
Operating expenses	24	87,763,178	100,719,140	91,571,002
		<b>135,727,850</b>	<b>180,784,653</b>	<b>165,237,411</b>
<b>OTHER INCOME - Net</b>	26	<b>10,954,952</b>	<b>8,462,650</b>	<b>776,036</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>19,627,311</b>	<b>19,686,784</b>	<b>30,590,446</b>
<b>INCOME TAX EXPENSE</b>	27	<b>6,894,804</b>	<b>7,388,341</b>	<b>10,161,254</b>
<b>NET INCOME</b>		<b>P12,732,507</b>	<b>P12,298,443</b>	<b>P20,429,192</b>
<b>Net income attributable to Equity holders of the Parent Company</b>		<b>P10,379,835</b>	<b>P6,344,524</b>	<b>P18,897,630</b>
<b>Noncontrolling interests</b>		<b>2,352,672</b>	<b>5,953,919</b>	<b>1,531,562</b>
<b>NET INCOME</b>		<b>12,732,507</b>	<b>12,298,443</b>	<b>20,429,192</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Item that will not be reclassified subsequently to profit or loss</b>				
Remeasurement gain on retirement benefits	30	922,176	445,839	676,440
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P13,654,683</b>	<b>P12,744,282</b>	<b>P21,105,632</b>

Forward

		<b>Years Ended December 31</b>		
	<b>Note</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total comprehensive income attributable to</b>				
Equity holders of the Parent Company		<b>P11,258,822</b>	P6,787,242	P19,748,761
Noncontrolling interests		<b>2,395,861</b>	5,957,040	1,356,871
		<b>P13,654,683</b>	P12,744,282	P21,105,632
<b>BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>				
	<b>31</b>	<b>P0.000763</b>	P0.000467	P0.00139

*See Notes to the Consolidated Financial Statements.*

**CROWN EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

	Equity Attributable to Equity Holders of the Parent Company					Non-controlling Interests	Total	Total Equity
	Capital Stock (Note 20)	Additional Paid-In Capital	Retained Earnings	Retirement Benefits Reserve	Total			
As of January 1, 2016	P1,348,035,906	P118,570,274	P106,933,349	P1,636,864	P1,575,176,393	P157,961,322	P1,733,137,715	
Net income for the year	-	-	10,379,835	-	10,379,835	2,352,672	12,732,507	
Other comprehensive income	-	-	-	878,987	878,987	43,189	922,176	
Total comprehensive income	-	-	10,379,835	878,987	11,258,822	2,395,861	13,654,683	
<b>As of December 31, 2016</b>	<b>P1,348,035,906</b>	<b>P118,570,274</b>	<b>P117,313,184</b>	<b>P2,515,851</b>	<b>P1,586,435,215</b>	<b>P160,357,183</b>	<b>P1,746,792,398</b>	
As of January 1, 2015	P1,345,110,906	P118,570,274	P100,588,825	P1,194,146	P1,565,464,151	P152,004,282	P1,717,468,433	
Net income for the year	-	-	6,344,524	-	6,344,524	5,953,919	12,298,443	
Other comprehensive income	-	-	-	442,718	442,718	3,121	445,839	
Total comprehensive income	-	-	6,344,524	442,718	6,787,242	5,957,040	12,744,282	
Subscription receivables collected	2,925,000	-	-	-	2,925,000	-	2,925,000	
As of December 31, 2015	P1,348,035,906	P118,570,274	P106,933,349	P1,636,864	P1,575,176,393	P157,961,322	P1,733,137,715	
As of January 1, 2014	P1,330,146,816	P118,570,274	P88,957,148	P343,015	P1,538,017,253	P143,381,458	P1,681,398,711	
Net income for the year	-	-	18,897,630	-	18,897,630	1,531,562	20,429,192	
Other comprehensive income	-	-	-	851,131	851,131	(174,691)	676,440	
Total comprehensive income	-	-	18,897,630	851,131	19,748,761	1,356,871	21,105,632	
Subscription receivables collected	14,964,090	-	-	-	14,964,090	-	14,964,090	
Restatement of NCI	-	-	(7,265,953)	-	(7,265,953)	7,265,953	-	
As of December 31, 2014	P1,345,110,906	P118,570,274	P100,588,825	P1,194,146	P1,565,464,151	P152,004,282	P1,717,468,433	

See Notes to the Consolidated Financial Statements.

**CROWN EQUITIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P19,627,311	P19,686,784	P30,590,446
Adjustments for:				
Interest income	9, 12, 26	(20,064,956)	(23,178,847)	(15,412,609)
Depreciation and amortization	15, 16	14,511,492	15,362,474	15,248,946
Loss (gain) from cancelled contracts and forfeited customers' deposits	26	5,258,472	(329,889)	321,856
Unrealized foreign exchange loss (gain)	26	(999,919)	(2,529,198)	(116,119)
Retirement expense	30	2,158,103	1,937,560	1,665,396
Unrealized loss (gain) in the change in value of financial assets at FVPL	7	(2,414,547)	2,708,098	(836,415)
Impairment losses on:				
Installment contract receivables	9	404,224	2,869,901	-
Investment property		-	-	2,197,072
Dividend income		(559,354)	(317,107)	(7,200,371)
Gain on disposal of property and equipment		-	(93,429)	-
Operating income before working capital changes		17,920,826	16,116,347	26,458,202
Decrease (increase) in:				
Financial assets at fair value through profit or loss		(7,654,804)	(12,221,089)	824,257
Installment contract receivables		(1,978,656)	(4,417,381)	1,265,104
Trade and other receivables		(29,793,511)	(13,998,388)	18,727,918
Inventories		10,352,393	20,472,510	5,017,263
Other current assets		(1,132,028)	(6,842,793)	8,777,788
Increase (decrease) in accounts and other payables		15,141,710	(7,538,866)	27,344,290
Cash generated from (absorbed by) operations		2,855,930	(8,429,660)	88,414,822
Interest received		20,064,956	23,178,847	15,141,098
Dividends received		559,354	317,107	7,200,371
Benefits paid	30	-	(950,000)	(119,462)
Income taxes paid		(5,184,286)	(525,157)	(10,282,819)
Net cash provided by operating activities		18,295,954	13,591,137	100,354,010

Forward



		Years Ended December 31		
	Note	2016	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in:				
Loans receivables		P48,333,333	(P8,333,333)	P -
Investment properties	16	(752,099)	6,549,416	13,895,080
Other noncurrent assets		2,271,386	1,097,562	(4,336,592)
Acquisition of property and equipment	15	(5,317,328)	(6,566,623)	(7,544,191)
Proceeds from disposal of property and equipment		-	206,888	-
Net cash provided by (used in) investing activities		44,535,292	(7,046,090)	2,014,297
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Collection of subscriptions receivable		-	2,925,000	14,964,090
Decrease in due to related parties		-	(10,600,000)	(3,035,910)
Net cash provided by (used in) financing activities		-	(7,675,000)	11,928,180
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		999,919	2,529,198	116,119
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
		63,831,165	1,399,245	114,412,606
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		204,010,289	202,611,044	88,198,438
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	6	P267,841,454	P204,010,289	P202,611,044

See Notes to the Consolidated Financial Statements.

**CROWN EQUITIES, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Reporting Entity**

Crown Equities, Inc. ("CEI" or the "Parent Company") is an investment holding company incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 24, 1969. The Parent Company's registered office address is located at the Crown Center, 158 Jupiter corner N. Garcia Streets, Makati City.

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the "Group"). The Parent Company's shares of stock are listed and traded at the Philippine Stock Exchange (PSE).

The Group operates within the Philippines and is mainly involved in real estate business, healthcare services and investment holding. As of December 31, 2016 and 2015, the Parent Company has ownership interests in the following subsidiaries and associates, all incorporated in the Philippines:

	Effective Percentage of Ownership	
	2016	2015
<b>Subsidiaries</b>		
<i>Real Estate</i>		
Crown Central Properties, Corp. (CCPC) <sup>(a)</sup>	48%	48%
Parkfield Land Holdings, Inc. (PLHI) <sup>(b)</sup>	75%	75%
<i>Healthcare</i>		
Healthcare Systems of Asia Phils., Inc. (HSAPI)	97%	97%
Fortmed Medical Clinics Makati, Inc. (FMCM) <sup>(c)</sup>	97%	97%
<b>Joint Venture</b>		
Sky Leisure Properties, Inc. (SLPI) <sup>(b)</sup>	50%	50%

(a) Management has determined that the Company has control over the financial and operating policies of CCPC through representation on the Board of Directors (Note 2).

(b) These companies have not yet started commercial operations.

(c) This is indirectly owned through HSAPI.

**2. Basis of Preparation**

**Statement of Compliance**

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements of the Group were approved for issue by the Executive Committee on April 8, 2017, as authorized by the Board of Directors (BOD) on February 28, 2017.

### Basis of Measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

<u>Items</u>	<u>Measurement Bases</u>
Available-for-sale (AFS) financial assets	Fair value
Financial assets at fair value through profit or loss	Fair value
Retirement liability	Fair value of plan assets less the present value of the defined benefit obligation
Embedded derivative	Fair value

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information presented is rounded to the nearest peso, except when otherwise indicated.

### Basis of Consolidation

The Group obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries as enumerated in Note 1, after the elimination of intercompany balances and transactions with subsidiaries, including income, expenses and dividends. Unrealized profits and losses from intercompany transactions are also eliminated in full.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company.

Non-controlling interests consist of the interests not held by the Group in PLHI, HSAPI and CCPC in 2016 and 2015 (Note 5).

### Use of Estimates and Judgments

The Group's consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

*Distinction between Investment Properties, Inventory and Owner-occupied Properties.* The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent from the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or service or administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The parcels of land in Taguig City, Metro Manila, Sto. Tomas, Batangas and San Jose del Monte Bulacan and the commercial space in a condominium are classified as investment properties as they are held by the Company for future development or appreciation.

The land and building in Makati City and Sta. Rosa, Laguna are classified as property and equipment as they are mainly used for the Group's operations as corporate offices and medical clinics.

The carrying value of investment properties amounted to P696,674,363 and P695,413,822 as at December 31, 2016 and 2015, respectively (Note 16).

*Operating Lease Commitments - Group as Lessor/Lessee.* The Group has entered into various lease agreements either as a lessor or a lessee. The Group has determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent income amounted to P10,121,141, P7,713,869 and P5,624,685 in 2016, 2015 and 2014, respectively (Note 29).

Rent expense amounted to P36,889, P34,189 and P35,689 in 2016, 2015 and 2014, respectively (Note 24).

*Evaluation of Control over CCPC.* The Group has 48% equity interest in CCPC. Management has determined that the Group has control over the financial and operating policies of CCPC through majority representation on the BOD.

#### *Assessing Joint Arrangements*

The Group determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. Joint arrangements are classified into two types: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

The Group has determined that its investment in joint arrangements are classified as investments in joint ventures and joint operation.

The Group has 50% equity interest in SLPI. Management has determined that the Group has equal control with the joint venture partner over the financial and operating policies of SLPI (Note 13).

The Group has established separate joint operations with SLRDI and DMCI.

SLRDI and the Group entered to an agreement with the former as the land developer and the latter contributing the land and improvements. The Group shares 60% in the sales proceeds.

DMCI and the Group entered to an agreement with the former as the condominium developer and the latter contributing land and improvements. The Group's share in the project is equivalent to 15.6% of the total condominium units and parking slots. (Note 28.)

*Embedded Derivatives.* The Group reviews financial instruments for embedded derivatives. The loans receivable includes options to convert it to equity and allows the borrower to repay the debt before the end of its full contractual term. Management has assessed that these options are embedded derivatives because if exercised they will or may modify the cash flows of the loans receivable (Note 12).

#### *Evaluation of Legal Contingencies*

The Group is a party to certain lawsuits or claims arising from the ordinary course of business. The Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from legal contingencies was recognized in 2016 and 2015, respectively (Note 34).

#### *Estimates*

The key estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.

#### *Estimating Allowance for Impairment Losses on Installment Contract Receivables, Trade and Other Receivable, Loans Receivable and Advances to Joint Venture*

Allowance is made for specific and groups of accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the debtors, the current credit status based on third party credit reports, if any, and known market forces, average age of accounts, collection experience and historical loss experience.

As at December 31, 2016 and 2015, the carrying value of installment contract receivables amounted to P65,446,096 and P70,042,532, respectively (Note 9). Impairment losses amounted to P2,318,169 and P2,869,901 as at December 31, 2016 and 2015, respectively (Note 9).

As at December 31, 2016 and 2015, the carrying value of trade and other receivables amounted to P75,470,389 and P45,676,878, respectively (Note 10). Allowance for impairment losses on accounts receivables amounted to P6,066,711 and P10,555,243 as at December 31, 2016 and 2015, respectively (Note 10).

As at December 31, 2016 and 2015, the carrying value of loans receivable amounted to P10,000,000 and P58,333,333, respectively.

*Estimating Impairment of the AFS Financial Asset.* The unquoted AFS financial asset is considered impaired when management believes that future cash flows generated from the investment is expected to decline significantly. In determining if impairment exists, significant estimates and assumptions are made on the future cash flows expected and the appropriate discount rate.

For an AFS Financial Asset, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of twelve months to be prolonged.

As at December 31, 2016 and 2015, the carrying value of the AFS financial asset amounted to P47,344,659. No impairment loss was recognized in 2016 and 2015 (Note 8).

*Estimating the Net Realizable Value of Real Estate Inventories.* The Group writes-down the carrying amount to reduce real estate inventories to net realizable value whenever net realizable value becomes lower than cost due to changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at the end of reporting date. The Company reviews real estate inventories for probable decline in value. Where the carrying amount of real estate inventories exceeds its net realizable value, the real estate inventory is considered impaired and is written down to its net realizable value.

Management believes that there are no indications that the net realizable value of real estate inventories is lower than its cost of P177,270,031 and P185,300,841 as at December 31, 2016 and 2015, respectively (Note 11).

*Estimating Useful Lives of Property and Equipment and Investment Properties.* The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment properties would increase recorded cost of services and operating expenses and decrease noncurrent assets.

Property and equipment, net of accumulated depreciation and amortization, amounted to P270,527,029 and P277,872,718 as at December 31, 2016 and 2015, respectively (Note 15), while the carrying value of investment properties amounted to P696,674,363 and P695,413,822 as at December 31, 2016 and 2015, respectively (Note 16).

Estimated fair values of investment properties amounted to P1,415,164,000 as at December 31, 2016 (Note 16).

*Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

The Group has not recognized the net deferred tax assets on temporary differences amounting to P172,751,047 and P157,080,424 as at December 31, 2016 and 2015, respectively, as management believes that there will be no enough future taxable income available to utilize the deferred tax assets. The carryforward benefits of NOLCO and MCIT of FMCI amounting to P945,776 and P1,630,836 as at December 31, 2016 and 2015, respectively, have been recognized as management expects these to be utilized prior to their expiration (Note 27).

*Impairment of Nonfinancial Assets.* PFRS requires that an impairment review be performed on investments in a joint venture, property and equipment, investment properties and, other current and noncurrent assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the financial performance.

The carrying amount of the Group's nonfinancial assets, net of accumulated depreciation and amortization and allowances for impairment losses, amounted to P1,262,056,648 and P1,269,220,854 as at December 31, 2016 and 2015, respectively (Notes 13, 15, 16 and 17).

*Impairment of Goodwill.* The Group determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill as at December 31, 2016 and 2015 amounted to P21,740,604 (Note 14).

*Present Value of Defined Benefit Obligation.* The present value of the retirement liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate, and salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liability. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid.

Other key assumptions for retirement liability are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liability.

The Group's retirement liability amounted to P13,355,359 and P12,119,432 as at December 31, 2016 and 2015, respectively (Note 30).

#### *Estimating the Fair Value of Embedded Derivatives*

The management used valuation techniques in determining the fair value of embedded derivatives on the loans receivable.

The fair value of the prepayment option is determined by calculating the present value of the prepayment penalty using the nominal interest rate which approximates the prevailing market interest rate. The fair value is minimal and accordingly the difference in prepayment value and amortized cost is not significant. Therefore, the option is closely related to the host contract, and as such, bifurcation is not needed.

The option to convert the loans receivable to equivalent common shares has no value as the option is out of the money.

#### *Determination of Fair Value of Financial Instruments*

Where the fair value of financial assets and liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing the fair values. The judgments include considerations of inputs such as liquidity risk and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of FVPL and AFS are categorized as level 1 and 3 of the fair value hierarchy, respectively.

#### *Estimating Provisions*

Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. These estimates are based on consultations with independent outside parties, historical experience and other available data. While management believes that the bases of these estimates are reasonable and appropriate, significant differences in actual experience or assumption may materially affect the recorded provision. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the separate financial statements as at December 31, 2016 and 2015. It is possible, however, that future results of the operations could be materially affected by changes in the estimates on the effectiveness of the strategies relating these proceedings (see Note 34).



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### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in the consolidated financial statements, except for the changes as explained below.

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards and new interpretation starting January 1, 2016 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretation did not have any significant impact on the Group's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to *PAS 38, Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments to *PAS 16, Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

### Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Company has not applied the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

#### *Effective January 1, 2017*

- *Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle*. This cycle of improvements contains amendments to three standards including the applicable amendments below which are effective for annual periods beginning on or after January 1, 2017. None of the amendments has a significant effect on the separate financial statements of the Company.
  - *Clarification of the scope of the standard (Amendments to PFRS 12, Disclosure of Interests in Other Entities)*. The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

#### *Effective January 1, 2018*

- *PFRS 9, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company is assessing the potential impact on its separate financial statements resulting from the application of PFRS 9.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration*. The amendments clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

#### *Effective January 1, 2019*

- *PFRS 16, Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced. The adoption of the standard will have an impact on the recognition of lease expenses, noncurrent assets and liabilities.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16.

### Financial Assets and Liabilities

The Group's financial assets and liabilities consist of cash and cash equivalents, accounts receivable, installment contract receivables, loans receivables, advances to joint venture, refundable deposits and construction bond, financial assets at FVPL, AFS financial assets, accounts payable and other payables (excluding payable to government agencies), due to related parties and subscriptions payable.

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the 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 of Financial Instruments.* 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 fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes directly attributable transaction cost.

Subsequent to initial recognition, the Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. The Company has no HTM investments as at December 31, 2016 and 2015.

*Determination of Fair Value.* The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

*'Day 1' Profit.* Where the transaction price in a non-active market is different from the fair value of the 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' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized 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' profit amount.

### Financial Assets

*Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading or is designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative instrument (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category. Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with gains or losses recognized in profit or loss. Interest earned is recorded in interest income while dividend income is recorded in other income when the right to receive payment has been established.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Group determines the cost of investments sold using specific identification method.

Included under this category is the Group's marketable equity and debt securities.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial asset or financial asset at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Other income (charges)" in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash and cash equivalents, installment contract receivables, trade and other receivables, loans receivable, advances to a joint venture, and refundable deposits and construction bond are included in this category.

Cash includes cash on hand and in banks which are stated at face value. 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 and are subject to an insignificant risk of change in value.

*AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are either designated in this category or not classified under any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are carried at fair value or cost less impairment, when the equity instruments does not have a quoted market price in an active market and whose fair value cannot be reliably measured, in the consolidated statements of financial position. The effective yield component of AFS debt securities is reported in profit or loss. Any interest earned on AFS debt securities shall be recognized in profit or loss on an accrual basis. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right of collection has been established. Any unrealized gains or losses for the period arising from the fair valuation of AFS financial assets are reported as part of other comprehensive income, while the accumulated unrealized gains or losses are reported as a separate component of the Group's equity. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument the amount of impairment loss is measured as the difference between the asset's carrying amount and the estimated recoverable amount using either the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset or other valuation techniques.

The Group's investments in unquoted equity instruments are classified under Available-for-sale financial asset.

#### Financial Liabilities

*Other Financial Liabilities.* This category pertains to non-derivative financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's accounts payable and accrued expenses (excluding payable to government agencies and customers' deposits), due to related parties and subscriptions payable are included in this category.

*Derivative Financial Instruments.* Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

#### Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or 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 profit or loss.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the separate statements 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 at gross in the separate statements of financial position.

#### Joint Arrangements

##### *Joint Operation*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the PFRSs applicable to the particular assets, liabilities, revenues and expenses.

##### *Joint Venture*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. 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.

Interest in the joint venture is accounted using the equity method. It is recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

#### Inventories

Inventories are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

##### *Lots*

This pertains to the remaining balance of the land and improvements which CCPC, a subsidiary, contributed to a joint operation with a third party. The third party is engaged in developing and marketing a real estate project. Cost of lots includes acquisition cost of the land plus other development costs. Costs represents price determined using "specific identification method".

#### *Condominium Units and Parking Slots*

This pertains to the Parent Company's share in a joint operation arrangement. The Parent Company used the cost of land contributed to the joint venture as cost of the inventory divided by the total square meters of the units and parking slots allocated. The Company used the cost of land contributed to the joint venture as cost of the inventory divided by the total square meters of the units and parking slots allocated. Costs represents price determined using "specific identification method."

#### *Houses*

Cost of houses includes cost of construction and other direct costs of bringing the asset to its intended purpose. Costs represents price determined using "specific identification method".

#### *Medical Supplies*

This pertains to the medical, laboratory and pharmacy supplies of FMCMI. Costs represents purchase price determined using first-in, first-out method.

#### Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and amortization and any impairment losses except for land. Land is carried at cost, less accumulated impairment losses. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Building and leasehold improvements are amortized over the estimated useful lives of the improvements of ten years or the term of the lease, whichever is shorter.

	Number of Years
Building	25 - 50
Building equipment	5
Building and leasehold improvements	10 or term of the lease, whichever is shorter
Medical equipment	5 - 7
Office equipment, furniture and fixtures	3 - 5
Transportation equipment	3 - 5

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.



### Investment Properties

Investment properties consists of property held either to earn rental income, for capital appreciation or for future development. These are carried at cost including directly attributable transaction costs, less any impairment in value. Cost includes purchase price, commissions, taxes, licenses, and other direct costs of bringing the asset to its intended purpose. Subsequently, investment properties are carried at cost, less accumulated depreciation and accumulated impairment losses, if any.

Acquisition costs include capitalized other costs and expenses incurred to effect the transfer of title of the property to the Group.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful life of the commercial space in a condominium is 50 years.

Investment properties also include land held for future development consisting of raw land intended for future development. This includes acquisition costs and other costs and expenses incurred to effect the transfer of title of the property to the Group. These costs are reclassified to real estate inventories when the development of the properties start.

An investment property is derecognized when either the asset has been disposed of, or when it is permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal. When the use of a property changes such that it is reclassified as property and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

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

### Impairment of Assets

*Financial Assets.* A financial asset is assessed at reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

*Assets Carried at Amortized Cost.* If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance, are written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of impairment. For the purpose of specific evaluation of impairment, the Group assesses whether financial assets are impaired through assessment of collectibility of financial assets considering the debtor's capacity to pay, history of payment, and the availability of other financial support. For the purpose of collective evaluation of impairment, if necessary, financial assets group on the basis of such credit risk characteristics such as debtor type, payment history, past-due status and terms.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an extent occurring after the impairment was recognized, the previously recognized impairment loss is reversed, either directly or by adjusting an allowance account. Any subsequent reversal is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost as at the reversal date.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss is incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The carrying amount is reduced through the use of an allowance account.

*AFS Financial Assets.* Impairment losses on AFS financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

*Non-financial Assets.* Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount.

The estimated recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of 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.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in profit or loss. However, the increase in carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

#### Equity

*Capital Stock and Additional Paid-in Capital (APIC).* Capital stock and APIC are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effect. When shares are sold at a premium, the difference between the proceeds and the par value is credited to APIC.

*Retained Earnings.* Retained earnings includes cumulative balance of periodic profit/loss and reduced by dividends, if any, on capital stock. Dividends on capital stock are deducted from equity when they are declared by the Company's stockholders.

Retained earnings may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standards' transitional provisions.

### Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group's Executive Committee regularly reviews the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products/services and serves different markets. Financial information on operating segments is presented in Note 4 to the consolidated financial statements.

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables and property and equipment. Segment liabilities include all operating liabilities and consist principally of trade and other current liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings.

*Inter-segment Transactions.* Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

### Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group, the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding value-added tax (VAT) and discounts.

*Real Estate Sales* - Revenue from the sale of real estate is recognized to the extent that it is probable that the economic benefits will flow to the Group, the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Real estate sales are generally accounted for under the full accrual method. Under this method, revenue from the sale of real estate, including installment sales, is recognized when: (a) the collectability of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement or obligations with the subject properties.

The collectability 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.

If the above criteria are not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' deposits" under the "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

*Sale of Services.* Revenue is recognized when the performance of contractually agreed procedures have been rendered. Revenues from clinic services are shared proportionately as agreed upon by the Group and the doctors and physicians.

*Sale of Goods.* - Revenue is recognized when the title to inventories passes to the buyer.

*Interest* - Income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

*Rental Income* - Income is recognized by the Group on a straight-line basis over the lease term.

Cost and expenses are recognized in profit or loss upon receipt of goods or, utilization of the service, consumption of goods or at the date these are incurred.

#### Operating Lease

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

*Group as Lessee.* Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

#### Business Combination

Business combinations are accounted for using the acquisition method of accounting as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost a business combination over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of 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 operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over cost is credited directly to profit or loss.

#### Noncontrolling Interests

The acquisitions of noncontrolling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of acquired entity is recognized in equity. The adjustments to noncontrolling interests are based on a proportionate amount of the net assets of the subsidiary.

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. No gain or loss on such changes is recognized in profit or loss; instead, it is recognized in equity. Also no change in the carrying amounts of assets (including goodwill) or liabilities is recognized as a result of such transactions.

#### Foreign Currency Transactions and Translations

The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign currency gains and losses are recognized on a net basis in profit or loss.

### Defined Benefit Plan

The Group has an unfunded retirement liability based on the provisions of Republic Act (R.A.) No. 7641, *The Philippine Retirement Law*, covering substantially all of its employees. The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability, taking into account any changes in the net defined liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### Share-based Payments

The Parent Company grants share-based payments to the qualified directors and executive officers of the Group. These transactions are accounted for as equity settled share-based payments.

### Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly to equity or in other comprehensive income.

*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 used to compute the amount are those that are enacted or substantively enacted at reporting date.

*Deferred Tax.* Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at reporting date. Deferred tax assets and deferred tax liabilities are offset, if there is a legally enforceable right to offset current tax assets against current tax liabilities and they relate to income taxes levied by the same tax authority.

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

#### Related Parties

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. Related parties may be individuals or corporate entities.

#### Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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 in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

#### Contingencies

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



#### Earnings Per Share

Earnings per share is computed by dividing net income or loss for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after retroactive adjustment for stock dividend declared in the current year, if any.

The Group has no dilutive potential common shares outstanding that would require disclosure of diluted earnings per share in the consolidated statements of comprehensive income.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the end of 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 the consolidated financial statements when material.

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### **4. Operating Segments**

#### 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 basis 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 is involved in delivering outpatient health care service through ambulatory care centers. This includes 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 on investments in associates and trading of financial assets at fair value through profit and loss.

#### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of cash, installment contract receivables, trade receivables, inventories, property and equipment and investment properties. Segment liabilities include all operating liabilities and consist principally of accounts payable and accrued expenses and due to related parties.

#### Geographical Areas

The Groups' real estate and healthcare services business segments are located in the Philippines.

#### Major Customer

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

The following tables present revenue and profit information regarding business segments of the Group for the years ended December 31, 2016 and 2015 and 2014 and certain assets and liability information regarding industry segments at December 31, 2016, 2015 and 2014 (in thousands).

	Year Ended December 31, 2016				
	Real Estate	Healthcare Services	Investment Holdings	Elimination	Total
<b>REVENUES</b>					
External revenue	P90,190	P53,207	P443	P -	P143,840
Intersegment revenue	9,463	-	267	(9,730)	-
	P99,653	P53,207	P710	(P9,730)	P143,840
<b>RESULTS</b>					
Segment results	P8,603	P6,195	(P600)	(P484)	P13,714
Interest income	3,384	115	-	-	3,499
Change in fair value of financial assets at FVPL	2,415	-	-	-	2,415
Income tax expense	(6,188)	(920)	-	213	(6,895)
<b>Net Income</b>	<b>P8,214</b>	<b>P5,390</b>	<b>(P600)</b>	<b>(P271)</b>	<b>P12,733</b>
<b>ASSETS AND LIABILITIES</b>					
Segment assets	P2,208,246	P39,546	P99,604	(P395,405)	P1,951,991
Goodwill	-	-	21,741	-	21,741
<b>Total Assets</b>	<b>P2,208,246</b>	<b>P39,546</b>	<b>P121,345</b>	<b>(P395,405)</b>	<b>P1,973,732</b>
<b>Segment Liabilities</b>	<b>P235,464</b>	<b>P16,705</b>	<b>P79,389</b>	<b>(P104,618)</b>	<b>P226,940</b>
<b>OTHER SEGMENT INFORMATION</b>					
Depreciation and amortization	P10,068	P3,188	P1,255	-	P14,511
Capital expenditure in property and equipment	4,402	760	156	-	5,318
Capital expenditure in investment property	752	-	-	-	752
Investment and advances in a joint venture - net	603,503	-	23,376	(392,440)	234,439

	Year Ended December 31, 2015				
	Real Estate	Healthcare Services	Investment Holdings	Elimination	Total
<b>REVENUES</b>					
External revenue	P151,445	P46,489	P541	P -	P198,475
Intersegment revenue	-	-	-	(P6,783)	(6,783)
	P151,445	P46,489	P541	(P6,783)	P191,962
<b>RESULTS</b>					
Segment results	P19,440	P901	(P874)	P310	P19,777
Interest income	2,602	16	-	-	2,618
Change in fair value of financial assets at FVPL	(2,708)	-	-	-	(2,708)
Income tax expense	(6,163)	(1,226)	-	-	(7,389)
<b>Net Income</b>	<b>P13,171</b>	<b>(P309)</b>	<b>(P874)</b>	<b>P310</b>	<b>P12,298</b>
<b>ASSETS AND LIABILITIES</b>					
Segment assets	P2,178,671	P33,690	P99,468	(P394,735)	P1,917,094
Goodwill	-	-	21,741	-	21,741
<b>Total Assets</b>	<b>P2,178,671</b>	<b>P33,690</b>	<b>P121,209</b>	<b>(P394,735)</b>	<b>P1,938,835</b>
<b>Segment Liabilities</b>	<b>P213,821</b>	<b>P17,031</b>	<b>P78,962</b>	<b>(104,116)</b>	<b>P205,698</b>
<b>OTHER SEGMENT INFORMATION</b>					
Depreciation and amortization	P11,473	P1,772	P1,059	P -	P14,304
Capital expenditure in property and equipment	5,777	790	-	-	6,567
Capital expenditure in investment property	13,640	-	-	-	13,640
Investment and advances in a joint venture - net	569,753	-	17,843	(353,158)	234,438

	Year Ended December 31, 2014				
	Real Estate	Healthcare Services	Investment Holdings	Elimination	Total
<b>REVENUES</b>					
External revenue	P142,687	P52,364	P -	P -	P195,051
Intersegment revenue	8,843	-	-	(8,843)	-
	P151,530	P52,364	P -	(P8,843)	P195,051
<b>RESULTS</b>					
Segment results	P32,983	(P4,384)	(P4,733)	P4,486	P28,352
Interest income	-	-	1,402	-	1,402
Change in fair value of financial assets at FVPL	-	-	836	-	836
Income tax expense	-	-	-	-	(10,161)
Net Income	P32,983	(P4,384)	(P2,495)	P4,486	P20,429
<b>ASSETS AND LIABILITIES</b>					
Segment assets	P2,147,972	P36,437	P95,854	(P362,032)	P1,918,231
Goodwill	-	-	21,741	-	21,741
Total Assets	P2,147,972	P36,437	P117,595	(P362,032)	P1,939,972
Segment Liabilities	P237,021	P15,002	P78,962	(P120,059)	P210,926
<b>OTHER SEGMENT INFORMATION</b>					
Depreciation and amortization	P9,986	P5,263	P -	P -	P15,249
Capital expenditure in property and equipment	6,323	969	-	-	7,292
Capital expenditure in investment property	1,209	-	-	-	1,209
Investment and advances in a joint venture --net	569,753	-	17,843	(353,158)	234,438

## 5. Noncontrolling Interests

The following table summarizes the information relating to each of the Group's subsidiaries that has NCI, before any intra-group elimination.

	December 31, 2016					Total
	HSAPI	FMCMI	CCPC	PLHI	Intra-group Elimination	
NCI percentage	3%	3%	52%	25%		
Current assets	P254,150	P29,920,497	P199,547,664	P147,068		
Noncurrent assets	99,350,230	9,625,291	35,500,242	277,518,000		
Current liabilities	(79,389,347)	(11,921,073)	(60,189,178)	(7,128,840)		
Noncurrent liabilities	-	(4,783,645)	(77,964)	-		
Net assets	20,215,033	22,841,070	174,780,764	270,536,228		
Share in net assets	606,451	685,232	90,885,997	67,634,057		
Carrying amount of NCI	606,451	685,232	90,885,997	67,634,057	P545,446	P160,357,183
Revenue	817,050	53,207,481	31,463,211	-		
Net income (loss)	(600,078)	5,390,493	4,700,579	(294,509)		
Other comprehensive income	-	579,510	49,624	-		
Total comprehensive income (loss)	(600,078)	5,970,003	4,750,203	(294,509)		
Profit (loss) allocated to NCI	(18,002)	161,715	2,444,301	(73,627)	(161,715)	2,352,672
Other comprehensive income allocated to NCI	-	17,385	25,804	-	-	43,189
Cash flows from (used in) operating activities	932,532	8,077,618	(5,697,088)	(294,509)		
Cash flows used in investing activities	(938,464)	(759,932)	(20,577)	-		
Cash flows from financing activities	60,201	-	-	294,509		
Net increase (decrease) in cash and cash equivalents	P54,269	P7,317,686	(P5,717,665)	P -		

December 31, 2015						
	HSAPI	FMCM	CCPC	PLHI	Intra-group Elimination	Total
NCI percentage	3%	3%	52%	25%		
Current assets	P110,399	P20,996,365	P197,549,579	P147,068		
Noncurrent assets	99,357,454	12,693,872	22,863,032	277,518,000		
Current liabilities	(78,962,328)	(12,578,431)	(50,284,362)	(6,834,331)		
Noncurrent liabilities	-	(4,452,471)	-	-		
Net assets	20,505,525	16,659,335	170,128,249	270,830,737		
Share in net assets	615,166	499,780	88,466,689	68,037,841		
Additional capitalization	-	-	-	841,626		
Carrying amount of NCI	615,166	499,780	88,466,689	68,879,467	(P499,780)	P157,961,322
Revenue	541,108	46,488,828	39,579,558	-		
Net income (loss)	(873,301)	(309,587)	11,642,151	(295,203)		
Other comprehensive income	104,018	104,018	-	-		
Total comprehensive income (loss)	(769,283)	(205,569)	11,642,150	(295,203)		
Profit (loss) allocated to NCI	(26,199)	(9,288)	6,053,919	(73,801)	9,288	5,953,919
Other comprehensive income allocated to NCI	3,121	3,121	-	-	(3,121)	3,121
Cash flows from (used in) operating activities	467,152	2,222,012	22,252,926	(398,391)		
Cash flows used in investing activities	(83,000)	(1,221,237)	(22,758)	-		
Cash flows from (used in) financing activities	(384,001)	273,561	(21,430,337)	398,391		
Net increase in cash and cash equivalents	P151	P1,274,336	P799,831	P -		

December 31, 2014						
	HSAPI	FMCM	CCPC	PLHI	Intra-group Elimination	Total
NCI percentage	3%	3%	52%	25%		
Current assets	P82,368	P19,958,179	P200,757,713	P43,880		
Noncurrent assets	100,258,786	16,478,931	24,631,872	277,518,000		
Current liabilities	(78,962,328)	(15,002,031)	(66,673,150)	(6,547,428)		
Noncurrent liabilities	-	(4,570,175)	-	-		
Net assets	21,378,826	16,864,904	158,716,435	271,014,452		
Share in net assets	4,301,815	478,963	82,217,491	67,936,571		
Additional capitalization	-	-	-	(2,451,595)		
Carrying amount of NCI	4,301,815	478,963	82,217,491	65,484,976	(P478,963)	P152,004,282
Revenue	-	52,126,554	22,705,262	-		
Net income (loss)	(4,708,583)	(4,487,122)	3,397,221	(405,078)		
Other comprehensive income	674,872	674,872	-	-		
Total comprehensive income (loss)	(4,033,711)	(3,812,250)	3,397,221	(405,078)		
Profit (loss) allocated to NCI	(133,723)	(108,268)	1,766,555	(101,270)	108,268	1,531,562
Other comprehensive income allocated to NCI	(174,691)	(174,691)	-	-	174,691	(174,691)
Cash flows from (used in) operating activities	24,763	2,222,012	23,798,312	(405,078)		
Cash flows used in investing activities	-	(1,221,237)	(982)	-		
Cash flows from (used in) financing activities	-	273,561	(31,540,184)	405,078		
Net increase (decrease) in cash and cash equivalents	P24,763	P1,274,336	(P7,742,854)	P -		

## 6. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	<b>P57,997</b>	P58,497
Cash in banks	<b>42,930,823</b>	51,651,792
Short-term investments	<b>224,852,634</b>	152,300,000
	<b>P267,841,454</b>	P204,010,289

Cash in banks earn interest based on daily bank deposit rates. Short-term investments are made for varying periods of between 30 to 35 days and earn effective annual interest ranging from 0.75% to 1.50% in 2016, 0.45 to 1.52% in 2015 and 0.75 to 0.88% in 2014. Total interest earned on cash in banks and short-term investments in 2016, 2015 and 2014 amounted to P3,499,174, P2,617,929 and P1,420,044, respectively (Note 26).

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## 7. Financial Assets at Fair Value through Profit or Loss

This account consists of marketable equity and debt securities. The equity securities are listed and traded in the PSE, while the debt securities are government instruments. The fair value of the marketable equity securities amounted to P39,075,315 and P29,084,854 as at December 31, 2016 and 2015, respectively. The fair value of the debt securities amounted to P2,945,668 and P2,866,778 as at December 31, 2016 and 2015, respectively. The fair values have been determined based on closing bid prices at reporting date.

The Group recognized an increase (decrease) of P2,414,547, (P2,708,098), and P836,415 in fair value of these financial assets in 2016, 2015, and 2014, respectively (Note 26). Actual gains realized from the sale of these securities amounted to P3,278,281, P2,383,973 and P1,159,554 in 2016, 2015 and 2014, respectively (Note 26).

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## 8. Available-for-Sale Financial Asset

The available-for-sale financial asset consists of the Parent Company's investment in the unquoted shares of stock of Asian Alliance Holdings & Development Corp. (AAHDC).

Management does not have any plans to sell or dispose the shares twelve months after December 31, 2016. Dividend income in 2016, 2015 and 2014 amounted to P559,354, P317,107 and P7,200,371, respectively.

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## 9. Installment Contract Receivables

Installment contract receivables pertain to real estate sales. These are collectible in various installment periods between 1 to 10 years and earn interest per annum based on contract. Interest income earned in 2016, 2015, and 2014 amounted to P10,982,997, P14,485,828 and P8,149,438, respectively.

The breakdown of installment contract receivables by contractual maturity dates follows:

	<i>Note</i>	2016	2015
Due in one year or less		P14,431,330	P17,829,446
Due after one year		51,014,766	52,213,086
	32, 33	<b>P65,446,096</b>	P70,042,532

Allowance for impairment losses on installment contract receivables amounted to P2,318,169 and P2,869,901 as at December 31, 2016 and 2015 respectively.

The reconciliation of the changes in the allowance for impairment losses on contract receivables is shown below:

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Balance at beginning of year		<b>P2,869,901</b>	P -
Impairment loss during the year		<b>404,224</b>	2,869,901
Reversal of impairment during the year		<b>(955,956)</b>	-
Balance at end of year	<b>32</b>	<b>P2,318,169</b>	P2,869,901

Reversal of prior year impairment losses relates to current year cancellations of installment contracts receivable which are previously provided with allowance.

## 10. Trade and Other Receivables

This account consists of:

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Due from project developers	<b>28</b>	<b>P56,312,771</b>	P24,207,082
Receivables on patient services		<b>15,049,793</b>	19,728,282
Receivables from real estate buyers		<b>2,792,437</b>	3,843,843
Rent receivables		<b>1,663,142</b>	2,480,199
Interest receivables		<b>581,370</b>	1,536,419
Receivable from Guild Securities, Inc. (GSI)	<b>21</b>	-	43,010
Others		<b>5,137,587</b>	4,393,286
		<b>81,537,100</b>	56,232,121
Less allowance for impairment		<b>6,066,711</b>	10,555,243
	<b>32, 33</b>	<b>P75,470,389</b>	P45,676,878

In 2016, receivables amounting to P4,488,532 were written off.

Receivables on patient services are normally due within 30 to 60 days, unsecured and do not bear any interest. The following is the aging profile:

	<b>2016</b>		<b>2015</b>	
	<b>Gross Amount</b>	<b>Impairment</b>	<b>Gross Amount</b>	<b>Impairment</b>
Current	<b>P6,012,631</b>	<b>P -</b>	P5,048,943	P -
Past due 1-120 days	<b>1,659,203</b>	-	2,268,032	-
More than 120 days	<b>7,377,959</b>	<b>6,066,711</b>	12,411,307	10,183,116
	<b>P15,049,793</b>	<b>P6,066,711</b>	P19,728,282	P10,183,116

Due from project developers relate to collections of installment contract receivables by the project developers which are not yet remitted to the Group (Note 28).

Receivables from real estate buyers include among others the real property taxes paid by the Company chargeable to the buyers.

Others consist of receivables from employees, contractors and suppliers.

## 11. Inventories

Inventories are stated at cost and consist of:

	<i>Note</i>	2016	2015
<b>Real Estate</b>			
Houses and lots		<b>P153,845,761</b>	P162,678,601
Condominium units and parking slots	28	<b>23,424,270</b>	22,622,240
<b>Healthcare</b>			
Medical supplies		<b>1,260,905</b>	1,188,540
		<b>P178,530,936</b>	P186,489,381

Certain houses and lots pertain to units in Palma Real Residential Estates under a joint operation arrangement with Sta. Lucia Realty and Development, Inc. (SLRDI) (Note 28). The movements in houses and lots inventories follow:

	<i>Note</i>	2016	2015
Balance at beginning of year		<b>P162,678,601</b>	P177,269,653
Project development costs		<b>2,609,339</b>	3,138,000
Recovery from cancelled contracts		<b>1,591,916</b>	1,055,350
Construction costs		<b>15,967,132</b>	19,276,267
		<b>182,846,988</b>	200,739,270
Cost of houses and lots sold	23	<b>(29,001,227)</b>	(38,060,669)
Balance at end of year		<b>P153,845,761</b>	P162,678,601

The movements in condominium units and parking slots follow:

	<i>Note</i>	2016	2015
Balance at beginning of year		<b>P22,622,240</b>	P24,787,666
Additional rectification costs		-	696,093
Recovery from cancelled accounts		<b>3,158,947</b>	-
		<b>25,781,187</b>	25,483,759
Transfer to investment property	16	<b>(2,356,917)</b>	-
Cost of condominium units and parking slots sold	23	-	(2,861,519)
Balance at end of year		<b>P23,424,270</b>	P22,622,240

In 2016, the Company transferred one condominium unit from inventories to investment properties to lease out the unit to third parties.

Medical supplies charged to cost of services amounted to P7,276,174, P6,557,176 and P7,440,698 in 2016, 2015 and 2014, respectively (Note 23).

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## 12. Loans Receivable

- a) On July 3, 2013, the Parent Company entered into a Loan and Security Agreement (the "Agreement") with Platinum 168, Inc. (the "Borrower"), wherein the former granted a loan facility to the latter amounting to P50,000,000 for the purpose of working capital and to refinance the existing loan of another party (the "Loan Beneficiary") with a bank. A full drawdown on the loan facility was made in 2014. The interest rate is 10% on the first year and 11% on the succeeding years. The loan shall have a term of seven (7) years inclusive of two (2) years grace period on the principal from drawdown date, payable in sixty (60) consecutive monthly principal installments commencing on the third year after the drawdown date. The loan is fully secured by the Borrower's real estate and other properties. Interest income earned from the loan amounted to P4,672,785, P5,493,090 and P5,493,201 in 2016, 2015 and 2014, respectively.

As a precondition for the grant of the loan and security for the payment thereof, the Borrower grants the Parent Company an option to convert the loan into the common shares of stock of the Loan Beneficiary based on a strike price provided in the Agreement.

The Parent Company can exercise the option anytime within seven years commencing from the drawdown date as defined in the Agreement.

The loan and related interest were paid in full in 2016.

- b) On July 14, 2015, the Parent Company entered into a Exchangeable Loan Agreement (the "Exchangeable Agreement") with Premiere Holdings Alliance Corporation ("Alliance"), wherein the former granted an unsecured loan facility to the latter amounting to P10,000,000 for the purpose of acquisitions and expansion projects. A full drawdown on the loan facility was made during the year. The loan has an annual interest rate of 8% and a term of three (3) years from the date of drawdown. Interest income earned from the loan amounted to P910,000 and P428,889 in 2016 and 2015 respectively.

The loan has exchangeable future which can be converted into the common shares of stock at an exchange price of one peso (P1.00) per share based on the Exchangeable Agreement.

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## 13. Investment in and Advances to a Joint Venture

This account consists of investment and advances in SLPI:

Investment	P100,000,000
Accumulated equity in net losses	(100,000,000)
	-
Advances	1,436,026
Deposits for future stock subscriptions	233,002,530
	P234,438,556

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The breakdown of the Group's advances to joint venture and deposits for future stock subscriptions follows:

	Amount	Allowance for Impairment	Net Amount
Advances	P1,436,026	P -	P1,436,026
Deposits for future stock subscription	317,688,141	(84,685,611)	233,002,530
	P319,124,167	(P84,685,611)	P234,438,556

SLPI holds a substantial investment property. The recoverability of the investment property with fair value of P964,843,000 as at December 31, 2016 and 2015, is dependent upon the ability of SLPI to successfully execute and implement its projects and, ultimately, to attain profitable operations. The joint venture measures its investment property using fair value method. In applying uniformity of accounting policy, the Group did not recognize its share in net income of the joint venture since it arises from the increase in fair value of investment property.

The accumulated unabsorbed net income of the joint venture amounted to P82,185,186 and P86,497,918 as at December 31, 2016 and 2015, respectively. This pertains to the changes in fair value of the investment property, net of tax. Therefore, to be consistent with Group policy of carrying the investment property at cost, the Company does not recognize the changes in FV of the investment property.

The following summarizes the financial position and financial performance of the joint venture:

	2016*	2015**
<b>Percentage ownership</b>	<b>50%</b>	<b>50%</b>
Current assets	<b>P3,899,688</b>	P4,504,000
Noncurrent assets	<b>964,843,000</b>	964,843,000
Current liabilities	<b>139,663,071</b>	131,641,918
Noncurrent liabilities	<b>749,026,646</b>	749,026,646
<b>Net assets (liabilities)</b>	<b>P80,052,971</b>	P88,678,436
Increase in fair value of investment property	<b>P -</b>	P214,410,900
Income tax	<b>277</b>	64,323,120
Income (loss) or total comprehensive income (loss)	<b>(8,625,466)</b>	141,316,241
<b>Total comprehensive income (loss)</b>	<b>(P8,625,466)</b>	P141,316,241
<b>Group's share in total comprehensive income (loss)</b>	<b>(P4,312,733)</b>	P75,043,890

\*unaudited

\*\*audited

The following summarizes the reconciliation of carrying amount of interest in joint venture to carrying value:

	2016	2015
Net assets	P80,052,971	P88,678,436
Subscription receivable	84,317,400	84,317,400
Adjusted net assets	164,370,371	172,995,836
Multiply by share in net assets	50%	50%
Share in adjusted net assets	82,185,186	86,497,918
Unabsorbed net income	(82,185,186)	(86,497,918)
Carrying value of interest in joint venture	P -	P -

#### 14. Goodwill

The goodwill is attributed to the Group's acquisition of control over HSAPI and FMCI.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. 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. Cash flows beyond the five-year period are extrapolated using a constant growth rate of 10%. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 8% in 2016 and 2015. The discount rate also imputes the risk of the cash-generating unit compared to the respective risk of the overall market and equity risk premium.

Management believes that no reasonably possible change in the key assumptions would cause the carrying amount of the goodwill and cash generating unit to which goodwill relates to materially exceed its recoverable amount.

### 15. Property and Equipment - net

The movements in this account are as follows:

	Note	Land	Building and Building Equipment	Building and Leasehold Improvements	Medical Equipment	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
<b>Gross Carrying Amount</b>								
January 1, 2015		P120,132,721	P161,234,325	P18,304,954	P56,178,359	P30,732,783	P19,717,492	P406,300,634
Additions		-	1,464,288	-	612,724	293,182	4,196,429	6,566,623
Others		-	-	-	(50,000)	-	(2,568,750)	(2,618,750)
December 31, 2015		120,132,721	162,698,613	18,304,954	56,741,083	31,025,965	21,345,171	410,248,507
Additions		-	148,438	484,193	323,291	534,257	3,827,149	5,317,328
<b>December 31, 2016</b>		<b>120,132,721</b>	<b>162,847,051</b>	<b>18,789,147</b>	<b>57,064,374</b>	<b>31,560,222</b>	<b>25,172,320</b>	<b>415,565,835</b>
<b>Accumulated Depreciation and Amortization</b>								
January 1, 2015		-	23,402,345	8,765,948	51,546,483	24,124,363	13,239,697	121,078,836
Depreciation and amortization	23, 24	-	4,555,647	1,293,826	2,068,110	1,964,985	3,919,676	13,802,244
Disposal		-	-	-	(50,000)	-	(2,455,291)	(2,505,291)
December 31, 2015		-	27,957,992	10,059,774	53,564,593	26,089,348	14,704,082	132,375,789
Depreciation and amortization	23, 24	-	4,017,693	1,977,893	1,537,126	1,642,889	3,487,416	12,663,017
<b>December 31, 2016</b>		<b>-</b>	<b>31,975,685</b>	<b>12,037,667</b>	<b>55,101,719</b>	<b>27,732,237</b>	<b>18,191,498</b>	<b>145,038,806</b>
<b>Carrying Amount</b>								
December 31, 2015		P120,132,721	P134,740,621	P8,245,180	P3,176,490	P4,936,617	P6,641,089	P277,872,718
<b>December 31, 2016</b>		<b>P120,132,721</b>	<b>P130,871,366</b>	<b>P6,751,480</b>	<b>P1,962,655</b>	<b>P3,827,985</b>	<b>P6,980,822</b>	<b>P270,527,029</b>

Depreciation and amortization expense included as part of cost of services amounted to P1,536,370, P2,068,110 and P2,288,194 in 2016, 2015 and 2014, respectively (Note 23) while charged to operating expenses amounted to P11,126,647, P11,734,135 and P12,285,411 in 2016, 2015 and 2014, respectively (Note 24).

## 16. Investment Properties

The Group's investment properties pertain to several parcels of land located in Taguig, Batangas and Bulacan and a commercial space in a condominium which are held for future development.

The fair values of the parcels of land are as follows:

Location	Appraisal Date	Fair Value
Taguig City, Metro Manila	November 26, 2016	P818,366,000
Sto. Tomas, Batangas	December 1, 2016	223,907,000
San Jose del Monte, Bulacan	December 6, 2016	372,891,000

As at December 31, 2016 and 2015, the Group's fair value of investment properties is categorized under Level 3.

Aggregate fair value of the investment properties based on the selling prices of comparable assets in the area as well as based on the appraisal values of the parcels of land, as determined by an independent appraiser with relevant professional qualification and has recent experience in the location and category is P1,415,200,000 as at December 31, 2016.

The Group uses the cost model in determining the valuation of investment properties. The cost of the property consists of the purchase price, commissions, taxes, licenses, and other directly attributable cost of bringing the asset to its intended purpose. The movement in the carrying amount of investment properties and land held for future development is shown below:

	Note	2016	2015
<b>Cost</b>			
Balance at beginning of year		P763,247,575	P769,796,991
Additions and capitalized expenditures		752,099	13,640,140
Disposal	23	-	(20,189,556)
Transfer from real estate inventories	11	2,356,917	-
Balance at end of year		766,356,591	763,247,575
<b>Allowance for Impairment</b>		<b>(63,783,573)</b>	<b>(63,783,573)</b>
<b>Accumulated Depreciation</b>			
Balance at beginning of year		(4,050,180)	(2,489,950)
Depreciation for the year	24	(1,848,475)	(1,560,230)
Balance at end of year		(5,898,655)	(4,050,180)
		<b>P696,674,363</b>	<b>P695,413,822</b>

The unpaid balance on the acquisition of land of P16,851,530 as at December 31, 2016 and 2015, is included in "Accounts payable" under the "Accounts and other payables" account in the consolidated statements of financial position (Note 18). The liability is non-interest bearing and payable upon issuance of new titles by Register of Deeds. As at December 31, 2016 and 2015, some of the parcels of land are still in the process of being titled in the name of the respective subsidiaries.

## 17. Other Current and Noncurrent Assets

Other current assets consist of:

	2016	2015
Input VAT	<b>P35,932,669</b>	P35,560,176
Prepaid taxes	<b>15,479,894</b>	15,717,930
Prepaid commission	<b>3,867,046</b>	3,560,176
Refundable deposits	<b>611,934</b>	591,934
Prepaid insurance	<b>846,363</b>	868,680
Construction bond	<b>141,900</b>	161,900
Others	<b>1,112,462</b>	399,444
	<b>P57,992,268</b>	P56,860,240

Input VAT arises from the purchase of investment property, construction costs and of other purchases of goods and services.

Prepaid taxes pertain to prepaid real property taxes, creditable withholdings taxes and prior year excess tax credits.

Other noncurrent assets consist of:

	2016	2015
Investment in a business venture	<b>P -</b>	P2,927,567
Refundable deposits	<b>1,580,393</b>	1,640,693
Input VAT - net of current portion	<b>2,499,685</b>	1,353,620
Others	<b>678,581</b>	1,108,165
	<b>P4,758,659</b>	P7,030,045

## 18. Accounts and Other Payables

This account consists of:

	Note	2016	2015
Accounts payable	16	<b>P69,973,370</b>	P61,375,368
Customers' deposits		<b>40,692,122</b>	30,133,756
Accrued expenses		<b>23,668,951</b>	23,855,082
Payable to government agencies		<b>3,765,626</b>	4,953,306
Deposits for document processing		<b>7,842,623</b>	8,476,598
Due to GCV management		<b>5,988,254</b>	6,012,633
Payable to officers and employees		<b>2,558,426</b>	608,579
	32, 33	<b>P154,489,372</b>	P135,415,322

Accounts payable is non-interest bearing and normally have a 30 to 60-day terms.

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

Accrued expenses consist mainly of accrued physician's fees, commission payable and accruals for titling and registration of land.

## 19. Subscriptions Payable

As at December 31, 2016 and 2015, subscriptions payable amounting to P42,158,700 refers to the unpaid subscription of the Parent Company to SLPI, a joint venture.

## 20. Capital Stock

This account consists of:

	2016		2015	
	Number of Shares	Amount	Number of Shares	Amount
<b>Common Stock</b>				
Authorized - P0.10 par value	24,000,000,000	P2,400,000,000	24,000,000,000	P2,400,000,000
<b>Subscribed and Paid-up</b>				
Subscribed	18,415,232,480	P1,841,523,248	18,415,232,480	P1,841,523,248
Subscriptions receivable	(119,640,900)	(11,964,090)	(119,640,900)	(11,964,090)
Treasury stocks	(4,815,232,520)	(481,523,252)	(4,815,232,520)	(481,523,252)
	13,480,359,060	P1,348,035,906	13,480,359,060	P1,348,035,906

## 21. Related Party Transactions

Other than those disclosed in Notes 10, 13, 14 and 19, the Group's significant transactions and balances with related parties as of and for the years ended December 31, 2016 and 2015 are as follows:

Category/Transaction	Year	Note	Amount of the Transaction	Due from Related Parties	Due to Related Parties	Terms	Conditions
<b>Under Common Control</b>							
Federal Land, Inc. (FLI)							
Expense reimbursements and financing	2016	a	P -	P -	P15,114,650	Non-interest bearing; payable upon demand	Unsecured
	2015	a	-	-	15,114,650		
Greenfield Development Corp.							
Expense reimbursements	2016		-	-	98,237	Non-interest bearing; payable upon demand	Unsecured
	2015		-	-	98,237		
<b>Stockholder</b>							
Guild Securities, Inc. (GSI)							
Commissions and receivables	2016	b	14,631	-	-	Non-interest bearing; payable upon demand	Unsecured; no impairment
	2015	b	52,292	43,010	-		
	2016		P14,631	P -	P15,212,887		
	2015		P52,292	P43,010	P15,212,887		

- Payable to FLI consists of financing for the acquisition and development of the land in Biñan, Laguna and expense reimbursements of CCPC.
- GSI, a stockholder, is also the Parent Company's broker in its trading of financial assets at FVPL. In 2016, 2015, and 2014, commissions charged by GSI amounted to P14,631, P52,292 and P51,567, respectively. The said commission is included in the other operating expenses of the Company (Note 24).
- Salaries and other benefits given to key management personnel amounted to P8,164,442, P8,138,211 and P7,765,637 in 2016, 2015 and 2014, respectively.

All transactions with related parties are unsecured and are to be settled in cash.

## 22. Real Estate Sales

This account consists of:

	2016	2015	2014
Sale of houses and lots	<b>P61,122,951</b>	P114,059,791	P105,271,753
Sale of condominium units and parking slots	-	2,868,274	10,835,893
	<b>P61,122,951</b>	P116,928,065	P116,107,646

## 23. Cost of Sales

This account consists of:

	2016	2015	2014
Cost of real estate sales	<b>P29,001,227</b>	P61,111,744	P50,865,947
Cost of services	<b>18,820,814</b>	18,774,729	22,542,027
Cost of goods sold	<b>142,631</b>	179,040	258,435
	<b>P47,964,672</b>	P80,065,513	P73,666,409

Cost of real estate sales consists of:

	Note	2016	2015	2014
Cost of houses and lots sold	11	<b>P29,001,227</b>	P38,060,669	P17,157,770
Cost of condominium units and parking slots sold	11	-	2,861,519	3,639,837
Cost of Batangas property sold	16	-	20,189,556	30,068,340
		<b>P29,001,227</b>	P61,111,744	P50,865,947

Cost of services consists of:

	Note	2016	2015	2014
Salaries and employee benefits	25	<b>6,901,007</b>	P6,910,713	P8,837,237
Medical supplies	11	<b>7,276,174</b>	6,577,176	7,440,698
Depreciation	15	<b>1,536,370</b>	2,068,110	2,288,194
Outside services		<b>702,724</b>	675,845	-
Others		<b>2,404,539</b>	2,542,885	3,975,898
		<b>P18,820,814</b>	P18,774,729	P22,542,027

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

## 24. Operating Expenses

This account consists of:

	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Salaries and employee benefits	25	<b>P27,292,444</b>	P29,331,606	P28,020,757
Depreciation and amortization	15, 16	<b>12,975,122</b>	13,294,365	12,960,752
Taxes and licenses		<b>6,459,345</b>	6,393,492	5,623,174
Outsourced services		<b>6,107,360</b>	4,891,362	4,507,721
Meetings and seminars		<b>4,341,110</b>	4,379,054	4,280,571
Commission	28	<b>4,307,040</b>	6,191,132	3,114,292
Professional fees		<b>4,128,765</b>	4,252,419	4,141,492
Association dues		<b>3,074,508</b>	1,817,651	67,651
Committee Meetings		<b>2,103,000</b>	2,020,000	711,111
Transportation and travel		<b>2,905,865</b>	3,479,703	4,569,242
Directors' fees		<b>2,655,588</b>	2,942,556	6,063,780
Utilities		<b>1,617,265</b>	1,853,811	2,137,253
Repairs and maintenance		<b>1,547,325</b>	1,639,823	1,719,364
Insurance		<b>1,216,687</b>	1,146,481	1,193,019
Advertising		<b>1,177,889</b>	1,521,830	336,576
Postage and communication		<b>1,097,409</b>	991,050	1,051,290
Representation and entertainment		<b>958,655</b>	933,942	1,528,230
Supplies		<b>655,824</b>	629,963	1,375,650
Rent		<b>36,889</b>	34,189	35,689
Cancelation costs		-	2,459,129	-
SEC filing fees		-	5,050	1,402,947
Land distribution cost		-	-	2,165,000
Other operating expenses		<b>3,105,088</b>	10,510,532	4,565,441
		<b>P87,763,178</b>	P100,719,140	P91,571,002

Other operating expenses consists of various employees' reimbursable expenses, registration fees, company events expense and penalties.

## 25. Salaries and Employee Benefits

This account consists of:

	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Salaries and wages		<b>P28,334,052</b>	P30,897,361	P32,108,483
Retirement expense	30	<b>2,158,103</b>	1,937,560	1,665,396
Other employee benefits		<b>3,701,296</b>	3,407,398	3,084,115
		<b>34,193,451</b>	36,242,319	36,857,994
Amount charged to cost of services	23	<b>(6,901,007)</b>	(6,910,713)	(8,837,237)
	24	<b>P27,292,444</b>	P29,331,606	P28,020,757



## 26. Other Income (Charges)

This account consists of:

	<i>Note</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Interest income	6	<b>P3,499,174</b>	P2,617,929	P1,420,044
Realized gain on sale of financial assets at FVPL	7	<b>3,278,281</b>	2,383,973	1,159,554
Change in fair value of financial assets at FVPL	7	<b>2,414,547</b>	(2,708,098)	836,415
Impairment losses on investment property		-	-	(2,197,072)
Impairment loss on installment contract receivables	9	<b>(404,224)</b>	(2,869,901)	-
Unrealized foreign exchange gain (loss)		<b>(999,919)</b>	2,529,198	116,119
Gain (loss) from cancelled contracts and forfeited customers' deposits		<b>(5,258,472)</b>	329,889	(321,856)
Others		<b>8,425,565</b>	6,179,660	(237,168)
		<b>P10,954,952</b>	P8,462,650	P776,036

Others in 2016 mainly pertain to surcharge income, association dues and maintenance fees which are individually insignificant.

Others in 2015 mainly consist of reversal of payables.

## 27. Income Taxes

The components of income tax are as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Current:			
Regular corporate income tax	<b>P4,223,592</b>	P4,480,147	P9,769,790
MCIT	<b>1,374,830</b>	1,710,265	513,029
Final tax	<b>611,322</b>	525,121	271,510
	<b>6,209,744</b>	6,715,553	10,554,329
Deferred	<b>685,060</b>	672,808	(393,075)
	<b>P6,894,804</b>	P7,388,341	P10,161,254

The reconciliation of the income tax computed at the applicable statutory tax rates to the income tax as shown in the consolidated statements of comprehensive income is as follows:

	2016	2015	2014
Income before income tax	<b>P19,627,311</b>	P19,686,784	P30,590,446
Tax computed at 30%	<b>P5,888,193</b>	P5,906,035	P9,177,134
Tax effects of:			
Non-deductible expenses	<b>2,066,078</b>	2,166,633	617,343
Non-taxable income	<b>(1,875,655)</b>	(901,103)	(2,854,433)
Interest income subject to final tax	<b>(436,862)</b>	(784,838)	(135,757)
Expired NOLCO and MCIT	<b>94,412</b>	123,855	10,059,433
Change in unrecognized deferred tax assets	<b>1,158,638</b>	877,759	(6,702,466)
	<b>P6,894,804</b>	P7,388,341	P10,161,254

The deferred tax assets consist of the carryforward benefits of the NOLCO and MCIT of FMCMI as follows:

	2016	2015
MCIT	<b>P945,776</b>	P1,607,418
NOLCO	-	23,418
	<b>P945,776</b>	P1,630,836

The deferred tax assets that have not been recognized in the consolidated statements of financial position, net of recognized deferred tax liabilities, are as follows:

	2016		2015	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Allowance for impairment on advances in joint venture	<b>P84,685,611</b>	<b>P25,405,683</b>	P84,685,611	P25,405,683
Allowance for impairment on investment properties	<b>63,783,573</b>	<b>19,135,072</b>	63,783,573	19,135,072
Retirement liability	<b>13,355,359</b>	<b>4,006,608</b>	12,119,432	3,635,830
Allowance for impairment on installment contract receivables	<b>404,224</b>	<b>121,267</b>	-	-
Allowance for impairment on trade and other receivables	<b>6,066,711</b>	<b>1,820,013</b>	10,555,243	3,166,573
NOLCO	<b>2,293,427</b>	<b>688,028</b>	3,095,921	928,776
MCIT	<b>1,915,841</b>	<b>1,915,841</b>	1,159,656	1,159,656
Accrued expenses	<b>54,303</b>	<b>16,291</b>	54,303	16,291
Unrealized gross profit	<b>1,191,917</b>	<b>357,575</b>	(15,898,278)	(4,769,483)
Unrealized foreign exchange gain	<b>(999,919)</b>	<b>(299,976)</b>	(2,475,037)	(742,511)
	<b>P172,751,047</b>	<b>P53,166,402</b>	P157,080,424	P47,935,887

The details of MCIT are as follows:

Year Incurred	Amount	Applied	Balance	Date of Expiration
2013	P543,780	(P543,780)	P -	December 31, 2016
2014	513,029	(117,861)	395,168	December 31, 2017
2015	736,656	-	736,656	December 31, 2018
2016	784,017	-	784,017	December 31, 2019
<b>Total</b>	<b>P2,577,482</b>	<b>(P661,641)</b>	<b>P1,915,841</b>	

The details of NOLCO are as follows:

Year Incurred	Amount	Expired/ Applied	Balance	Date of Expiration
2013	P314,705	(P314,705)	P -	December 31, 2016
2014	1,323,649	(783,836)	539,813	December 31, 2017
2015	859,069	-	859,069	December 31, 2018
2016	894,545	-	894,545	December 31, 2019
<b>Total</b>	<b>P3,391,968</b>	<b>(P1,098,541)</b>	<b>P2,293,427</b>	

## 28. Joint Arrangements and Marketing Agreement

### 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 (Note 11).

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. SLRDI shall also shield CCPC from any claim that may be raised by any 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 on their respective share of the proceeds;
- c. The proceeds from the sale of lots shall be deposited in the joint bank account of the CCPC and SLRDI; and
- d. CCPC and SLRDI shall nominate a marketing manager that will handle the sale of lots in the Project. The marketing manager shall present a marketing plan to CCPC and SLRDI.

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

#### Joint Operation Arrangement with DMCI

In 2005, the Parent Company and FBMC I 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 provides that: (a) the Group and FBMC I shall contribute the land; (b) DMCI shall be responsible for the development, construction and sale of condominium units; and (c) the Group and FBMC I's share in the project is equivalent to 15.6% of the total condominium units and parking slots.

The revenues and the corresponding cost of real estate sold from the joint operations are shown below:

<b>2016</b>	<b>Joint Operation with SLRDI</b>	<b>Joint Operation with DMCI</b>	<b>Total</b>
Real estate sales	<b>P61,122,951</b>	<b>P -</b>	<b>P61,122,951</b>
Cost of real estate sold	<b>29,001,227</b>	<b>-</b>	<b>29,001,227</b>
	<b>P32,121,724</b>	<b>P -</b>	<b>P32,121,724</b>

<b>2015</b>	<b>Joint Operation with SLRDI</b>	<b>Joint Operation with DMCI</b>	<b>Total</b>
Real estate sales	P32,424,341	P2,868,274	P35,292,615
Cost of real estate sold	13,938,392	2,861,518	16,799,910
	P18,485,949	P6,756	P18,492,705

<b>2014</b>	<b>Joint Operation with SLRDI</b>	<b>Joint Operation with DMCI</b>	<b>Total</b>
Real estate sales	P19,602,355	P10,835,893	P30,438,248
Cost of real estate sold	10,358,108	3,639,837	13,997,945
	P9,244,247	P7,196,056	P16,440,303

As at December 31, 2016 and 2015, there were no outstanding contingent liabilities and commitments with respect to the joint venture agreement.

#### Joint Venture

On December 1, 1997, CEI entered into joint venture agreement with Perfect Sites, Inc. (PSI) to acquire, develop and sell real estate properties through SLPI, a joint venture company. The parties shall each contribute and own fifty percent (50%) of the equity of PSI and shall be equally represented in the Board. The parties agree that PSI be designated as Project Manager with full power and authority to manage and to undertake the development of the project, subject to limitations and restrictions.

#### Marketing Agreement

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

The Group recognized commission expense amounting to P4,307,040, P6,191,132 and P3,114,292 in 2016, 2015, and 2014, respectively (Note 24)

## 29. Operating Lease Commitments

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

Future minimum rental receivables under the non-cancellable operating lease agreements follows:

	2016	2015
Within one year	<b>P11,274,719</b>	P15,349,747
After one year but not more than five years	<b>8,627,261</b>	18,869,187
	<b>P19,901,980</b>	P34,218,934

Rent income recognized in 2016, 2015 and 2014 amounted to P10,121,141, P7,713,869 and P5,624,685, respectively.

## 30. Retirement Benefits

The Group's retirement benefits pertain to all regular employees. The normal retirement benefit is computed equivalent to 22.5 day-pay for every year of credited service pursuant to R.A. No. 7641 or the The Retirement Pay Law. The actuarial valuation is made on an annual basis. The Company's latest actuarial valuation was made on December 18, 2015 using the projected unit credit method in accordance with the amended PAS 19.

The movements in the present value of the defined benefit obligation are shown below:

	2016	2015
Present value of defined benefit obligation at beginning of year	<b>P12,119,432</b>	P11,577,711
Actuarial gains	<b>(922,176)</b>	(445,839)
Current service cost	<b>1,491,196</b>	1,370,131
Interest costs	<b>666,907</b>	567,429
Benefits paid	-	(950,000)
Present value of defined benefit obligation at end of year	<b>P13,355,359</b>	P12,119,432

The amount of retirement expense recognized in profit or loss consists of:

	2016	2015	2014
Current service cost	<b>P1,491,196</b>	P1,370,131	P1,332,628
Interest costs	<b>666,907</b>	567,429	332,768
	<b>P2,158,103</b>	P1,937,560	P1,665,396

Principal actuarial assumptions at reporting date (expressed as weighted averages) are as follows:

	2016	2015	2014
Discount rates	<b>5.38%</b>	5.52%	4.98%
Expected rate of salary increases	<b>3.00%</b>	3.00%	3.00%

The mortality and disability rates used by the actuary were taken from the "1983 US Group Annuity Mortality Table" and the "1952 Disability Table," respectively.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase
Discount rate (0.5% decrease)	P384,463
Future salary increase rate (1% increase)	794,765

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk and interest rate risk.

The management reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

Maturity analysis of the benefit payments:

	2016				
	Carrying Amount	Contractual Cash Flows	Less than 5 Years	5 Years but Less than 10 Years	More than 10 Years
Defined benefit obligation	P13,355,359	P150,893,405	P9,668,395	P490,148	P140,734,862

	2015				
	Carrying Amount	Contractual Cash Flows	Less than 5 Years	5 Years but Less than 10 Years	More than 10 Years
Defined benefit obligation	P12,119,432	P138,419,417	P8,877,050	P1,320,617	P129,211,750

There are no unusual or significant risks to which the plan exposes the Group.

Funding Policy

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

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### 31. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share amounts are computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the Parent Company	P10,379,835	P6,344,524	P18,897,628
Divided by weighted average number of outstanding common shares	13,599,999,960	13,599,999,960	13,599,999,960
Basic/diluted earnings (loss) per share	P0.000763	P0.000467	P0.00139

The Group does not have dilutive or potential dilutive shares as at December 31, 2016, 2015 and 2014.

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### 32. Financial Risk Management Objectives and Policies

#### Objectives and Policies

The Group has exposure to the following financial risks:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's objectives, policies and processes for measuring and managing these financial risks, and the Group's management of capital. The Group's risk management is coordinated with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. Risks to which the Group is exposed to are described below.

Also, the Group has low exposure to interest rate risk since the Group's existing financial assets have fixed interest. Risks to which the Group is exposed to are described below.

The Group's financial assets and liabilities such as cash and cash equivalents, installment contract receivables, trade and other receivables, loans receivable, accounts and other payables (excluding payable to government agencies) and due to related parties arise directly from and are used to facilitate its daily operations. The Group's other financial assets and liability includes refundable deposits and construction bond and subscriptions payable, respectively.

#### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the 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 (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below:

	Note	2016	2015
Cash in banks and cash equivalents*	6	P267,783,457	P203,951,792
Installment contract receivables	9	65,446,096	70,042,532
Trade and other receivables - net		75,470,389	45,676,878
Loans receivable	12	10,000,000	58,333,333
Advances to joint venture	13	1,436,026	1,436,026
Refundable deposits and construction bond**	17	2,334,227	2,394,527
		<b>P422,470,195</b>	<b>P381,835,088</b>

\* Excluding cash on hand.

\*\* Included under "Other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.

As at December 31, 2016 and 2015, there were no significant concentrations of credit risk.

The Group continuously monitors compliance with the arrangements or credit terms granted to counterparties. Indication of default identified is discussed and resolved during management meeting. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties

The table below shows the credit quality by class of financial assets:

	As at December 31, 2016				Total
	Neither Past Due nor Specifically Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
Cash in bank and cash equivalents*	P267,783,457	P -	P -	P -	P267,783,457
Installment contract receivables	-	65,446,096	-	2,318,169	67,764,265
Trade and other receivables	-	70,056,426	5,413,963	6,066,711	81,537,100
Loans receivable	-	10,000,000	-	-	10,000,000
Advances to joint venture	-	1,436,026	-	-	1,436,026
Refundable deposits and performance bond**	-	2,334,227	-	-	2,334,227
	<b>P267,783,457</b>	<b>P149,272,775</b>	<b>P5,413,963</b>	<b>P8,384,880</b>	<b>P430,855,075</b>

\*\*Included under "Other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.

	As at December 31, 2015				Total
	Neither Past Due nor Specifically Impaired			Past Due or	
	High Grade	Standard Grade	Substandard Grade	Individually Impaired	
Cash in bank and cash equivalents*	P203,951,792	P -	P -	P -	P203,951,792
Installment contract receivables	-	67,172,631	-	2,869,901	70,042,532
Accounts receivables	-	40,777,683	4,899,196	10,555,243	56,232,122
Loans receivable	-	58,333,333	-	-	58,333,333
Advances to joint venture	-	1,436,026	-	-	1,436,026
Refundable deposits and performance bond**	-	2,394,527	-	-	2,394,527
	<b>P203,951,792</b>	<b>P170,114,200</b>	<b>P4,899,196</b>	<b>P13,425,144</b>	<b>P392,390,332</b>

\*\*Included under "Other current assets" and "Other noncurrent assets" account in the consolidated statements of financial position.



Cash in bank and cash equivalents are considered High Grade as these pertain to cash deposits and short-term investments in reputable banks.

Installment contract receivables, trade and other receivables, loans receivable, advances to associates, refundable deposits and performance bond are considered Standard Grade as the amount is typical and guaranteed in the related contract. Standard Grade includes receivables that are collected on their due dates provided that they were reminded by the Group. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Group are included under Substandard Grade.

#### Liquidity Risk

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

The 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 cost; and (d) to maintain an adequate time spread of refinancing maturities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2016	Due on Demand	Within 6 Months	6 - 12 Months	Total
Accounts payable and other current liabilities*	P -	P70,118,128	P32,070,873	P102,189,001
Due to related parties	15,212,887	-	-	15,212,887
Subscriptions payable	42,158,700	-	-	42,158,700
	P57,371,587	P70,118,128	P32,070,873	P159,560,588

\*Excluding payable to government agencies, customers' deposits and deposit for document processing amounting to P52,300,371.

2015	Due on Demand	Within 6 Months	6 - 12 Months	Total
Accounts payable and other current liabilities*	P -	P38,768,418	P53,083,244	91,851,662
Due to related parties	15,212,887	-	-	15,212,887
Subscriptions payable	42,158,700	-	-	42,158,700
	P57,371,587	P38,768,418	P53,083,244	P149,223,249

\*Excluding payable to government agencies, customers' deposits and deposit for document processing amounting to P43,563,660.

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

#### Market Risk

Market risk is the risk that changes in market prices will affect the values of the 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 Group's market risk is limited to its investments carried at FVPL (Note 7). The Group manages its risk arising from changes in value of investments carried at fair value through profit or loss by monitoring the changes in the market price of the investments.

### *Foreign Currency Risk*

The Group's operations are largely in its functional currency and therefore translation exposures on transactions with debtors and creditors are not material. The only foreign currency denominated financial instrument relate to cash that is denominated in U.S. dollar. Given this, the Group does not expect that there will be any significant currency risk associated with its financial assets and liabilities. Foreign currency risk is monitored and analyzed systematically and regularly and is managed by the Group's Finance Department.

### Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
<b>Financial Assets at FVPL</b>				
<b>2016</b>	<b>P42,020,983</b>	<b>P -</b>	<b>P -</b>	<b>P42,020,983</b>
<b>2015</b>	<b>31,951,632</b>	<b>-</b>	<b>-</b>	<b>31,951,632</b>
<b>AFS</b>				
<b>2016</b>	<b>-</b>	<b>-</b>	<b>47,344,659</b>	<b>47,344,659</b>
<b>2015</b>	<b>-</b>	<b>-</b>	<b>47,344,659</b>	<b>47,344,659</b>

During both years, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### *Sensitivity Analysis*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. Equity price risk arises from FVPL held for investment purposes. The market price risk emanates from prevailing stock market. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken considering its investments are of fair values. The Group monitors market price of its investment periodically.

It is estimated that a general increase of five percent in fair value, with all other variable held constant, would increase the Group's other comprehensive income by approximately P2,101,150 and P1,597,582 for the years ended December 31, 2016 and 2015, respectively. An equal change in the opposite direction would have decreased other comprehensive income by the same amount.

### Capital Management

The Group's objective in managing capital is to ensure that the Group maintains a versatile capital structure and utilizes the most cost-efficient financing available which is capable of sustaining long term growth and maximizing shareholder value.

Debt and capital ratios are regularly monitored as a basis for measuring efficiency as well as in setting strategies. The capital structure is adjusted and revised in response to changes in economic condition and the risk profile of the Group's business environment. Free cash flows are managed to respond to working capital needs and to avoid long term funding.

Capital is measured on the basis of the carrying amount of equity and referred to in the consolidated financial statements as Total Equity. There were no changes in the Group's approach to capital management during the year. The Group also meets regularly to review the Group's capital requirement and the reasonableness of the level of its capital to be maintained.

As at December 31, 2016, the Company is compliant with the minimum public float requirement by the Philippine Stock Exchange (PSE).

Debt-to-equity ratio is as follows:

	2016	2015
Total liabilities	<b>P226,939,374</b>	P205,697,810
Total equity	<b>1,746,792,398</b>	1,733,137,715
	<b>0.13:1</b>	0.12:1

### 33. Determination of Fair Values

#### *Financial Instruments whose Carrying Amounts Approximate Fair Values*

The Group has determined that carrying amounts of cash and cash equivalents, trade and other receivables, construction bond, advances to joint venture, accounts and other payables (excluding payable to government agencies and customers' deposits), due to related parties and subscriptions payable reasonably approximate their fair values because these are mostly short-term in nature.

The fair values of installment contract receivables and loans receivable approximate their carrying amounts as their interest rates approximate the market rates for similar instruments.

The fair values of refundable deposits and construction bond approximates their carrying amounts because the difference in the present values and carrying amounts of these financial instruments is insignificant.

#### *Financial Assets at FVPL and AFS Financial Assets*

The fair values of publicly-traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

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### 34. Other Matters

a. Contingencies

In the ordinary course of business, the Group has pending legal cases which are in various stages of discussion/protest/appeal with the courts and relevant third parties. Management believes that the bases of the Group's position are legally valid and the ultimate resolution of these claims/assessments/litigation would not have a material effect on the 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 Group's financial position and financial performance.

b. Stock Option

The Group's stock option plan entitles, on grant date, the directors and executive officers of the Group to purchase shares of stock of the Parent Company 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 Parent Company. The stock option shall be subject to vesting according to such schedule as shall be approved by the BOD, 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 Group. 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 BOD, 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.

**Crown Equities, Inc. and Subsidiaries**  
**SEC Supplementary Schedules and Other Documents**  
**December 31, 2016**

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Crown Equities, Inc. and Subsidiaries  
Schedule A - Marketable Securities -  
(Current Marketable Equity Securities and  
Other Short-term cash Investments)  
December 31, 2016

Name of issuing entity & association of each issue	Number of shares	Amount shown on the balance sheet*
<b>Fair Value Through Profit or Loss:</b>		
ASIATRUST DEVELOPMENT BANK (ASIA)	-	-
ASIA UNITED BANK	9,000	431,550
BELLE CORPORATION	75	240
BOULEVARD HLDGS	3,000,000	189,000
BLOOMBERRY	10,000	61,500
BASIC ENERGY CORP	3,333	650
COAL ASIA HOLDINGS, INC.	300,000	135,000
COSCO CAPITAL	27,000	229,500
CENTURY PROPERTIES GROUP INC.	600,000	330,000
CYBER BAY CORPORATION	1,200,000	672,000
CHINA BANKING CORPORATION	12,597	478,686
DA VINCI	10,000	64,700
DOUBLE DRAGON PROP. CORP. (PREFERRED)	23,200	2,405,840
D&L INDUSTRIES, INC.	11,000	125,400
ENERGY DEVELOPMENT CO.	60,000	309,000
IP E-GAMES VENTURES, INC.	10,000,000	90,000
EXPORT AND INDUSTRY BANL, INC	3,310,000	860,600
EMPIRE EAST LAND INC	400,000	276,000
EMPERADOR INC.	20,000	140,000
EASTWEST BANK	18,078	335,166
GLOBAL ESTATE	500,000	500,000
GMA NET, INC.	170,000	1,065,900
HOLCIM PHILIPPINES, INC	37,800	623,700
INTEGRATED MICRO	100,000	608,000
LAFARGE REPUBLIC	2,680	24,120
MANILA MINING	11,808,988	129,899
MANILA ELECTRIC COMPANY	200	53,000
METRO RETAIL GROUP INC	40,000	162,000
MANILA JOCKEY	18,480	36,960
MANILA WATER COMPANY, INC	35,000	1,015,000
NATIONAL REINSURANCE CORP	1,266,000	974,820
NXGENESIS CORP	15,000	-
ORIENTAL PETROLEUM AND MINERAL "A"	117,021,003	1,287,231
ORIENTAL PETROLEUM AND MINERAL "B"	30,000,000	330,000
PHIL. BUSINESS BANK	180,000	2,584,800
PETRON CORP.	112,300	1,117,385
PREMIER HORIZON	700,000	322,000
PREMIUM LEISURE CORP	450,000	526,500
PHIL. STOCK EXCHANGE	3,600	858,240
PHOENIX SEMICONDUCTOR PHLS CORP	90,000	123,300
TRAVELLER'S INTL HOTEL GROUP	60,000	197,400
SWIFT FOODS	300,000	42,000
PILIPINAS SHELL PETROLEUM CORP.	10,000	698,000
SHANG PROPERTIES INC	417,277	1,364,496
STA. LUCIA LAND	100,000	109,000
SAN MIGUEL CORP	10,000	923,000
SAN MIGUEL CORP PREFERRED 2G	13,100	1,041,450
SSI GROUP, INC.	110,000	280,500
PHINMA ENERGY CORPORATION	100,000	213,000
TRANS-ASIA PETROLEUM CORP	2,172	6,212
PLDT	20	27,300
TOP FROTNIER	500	131,000
UNION BANK OF THE PHILS	3,300	246,180
VULCAN INDUSTRIAL CORP	200,000	212,000
XURPAS, INC.	2,500	19,975
ZEUS HOLDINGS	1,350,000	336,150
APPLE INC.	294	1,708,209
BYD COMPANY LIMITED(1211)	32,640	8,558,032
MUSCLE PHARM CORP	3,003	257,096
PLATFORM SPECIALTY PRODUCTS	4,000	1,925,297
USG CORPORATION	500	730,448
CAPITALAND MALL TRUST	8,800	570,883
FIXED INCOME SECURITIES	-	2,945,668
<b>Total</b>	<b>1</b>	<b>F 42,020,983</b>

**Crown Equities, Inc. and Subsidiaries**  
**Schedule C**  
**Amounts Receivable from Related Parties which are Eliminated**  
**During the Consolidation of Financial Statements**  
**December 31, 2016**

<i>Name of Related Parties</i>	<i>Balance at beginning of year</i>		<i>Balance at end of year</i>	
Healthcare Systems Asia Phils. Inc.	P	128,689,862	P	78,443,638
Crown Central Properties, Corp.		15,846,209		15,846,209
		<u>144,536,071</u>		<u>94,289,847</u>
Allowance for impairment	(	54,623,137)	(	54,623,137)
	<u>P</u>	<u>89,912,934</u>	<u>P</u>	<u>39,666,710</u>

**Crown Equities Inc. and Subsidiaries**  
**Schedule F**  
**Intangible Assets - Other Assets**  
**December 31, 2016**

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deduction</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Goodwill	P 21,740,604	P -	P -	P -	P -	21,740,604



**Crown Equities, Inc. and Subsidiaries**  
**Schedule E**  
**Indebtedness of Unconsolidated Subsidiaries**  
**and Related Parties (Other than Affiliates)**  
**December 31, 2016**

<i>Name of Related Parties</i>	<i>Balance at beginning of year</i>	<i>Balance at end of year</i>
Sky Leisure Properties, Inc.	P 1,436,026	P 1,436,026
Allowance for impairment	-	-
	<u>P 1,436,026</u>	<u>P 1,436,026</u> *

*\*Amount shown is part of Investments in and Advances to Related Parties account in the balance sheet.*

Crown Equities, Inc. and Subsidiaries  
 Schedule D - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments  
 December 31, 2016

Name of issuing entity & the description of investment	Beginning balance		Additions/(Deductions)		Ending Balance		Dividends received from investments not accounted by equity method
	Number of shares or principal amount of securities	Amount in pesos	Equity in net losses of investee for the period	Excess of equity in net loss over cost	Number of shares or principal amount of securities	Amount in pesos*	
Investments at equity: Asian Alliance Holdings & Development Corp.	90,004,634 shares	P 47,344,659	-	-	90,004,634 shares	P 47,344,659	-
Investments at equity: Sky Leisure Prop., Inc.	100,000,000 shares	-	-	-	100,000,000 shares	-	-
		P 47,344,659	P -	P -		P 47,344,659	P -

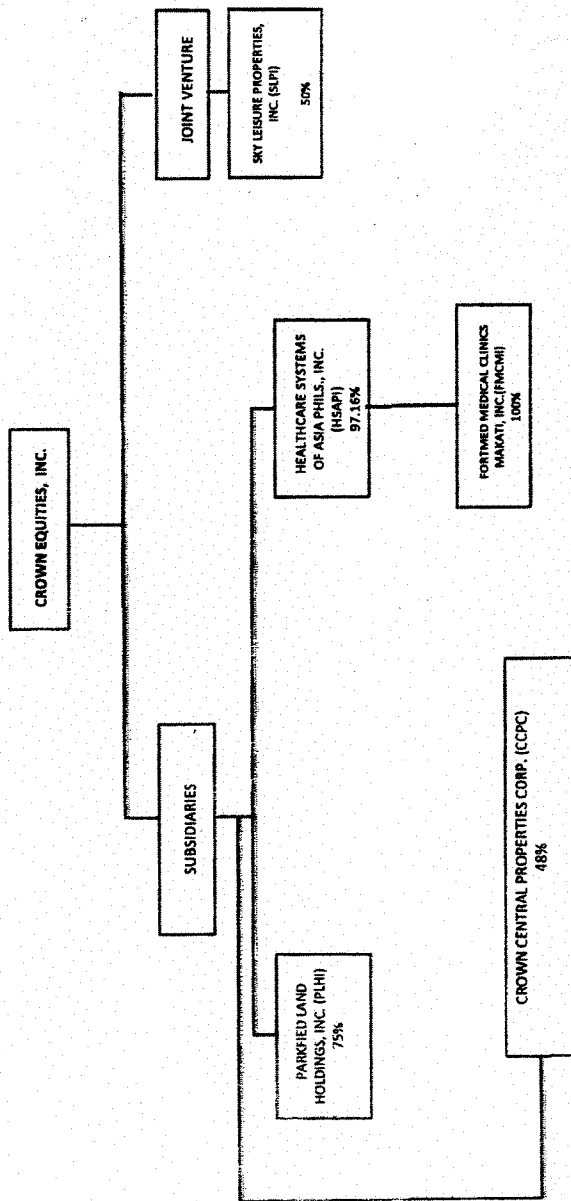
\* Amount shown is part of Investments in and Advances to Related Parties and Available-for-Sale Financial Asset accounts in the balance sheet.

Crown Equities, Inc. and Subsidiaries  
 Schedule J - Capital Stock  
 December 31, 2016

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet 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	13,599,999.960	-	-	800,202.568	12,799,797.392

\* includes indirectly held but beneficially owned shares

Crown Equities, Inc. and Subsidiaries  
Map of Conglomerate  
December 31, 2016



Crown Equities, Inc.  
Schedule M - Key Performance Indicators  
December 31, 2016

Indicator	As of			Formula
	Dec-16	Dec-15	Dec-14	
Current Ratio	2.98	2.87x	2.77x	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Cash Ratio	1.25	1.05x	0.96x	$\frac{\text{Cash and Cash equivalents}}{\text{Current Liabilities}}$
Debt-Equity Ratio	0.13	0.12x	0.13x	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
Debt-Asset Ratio	0.11	0.11x	0.11x	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
Asset-Equity Ratio	1.13	1.12x	1.13x	$\frac{\text{Total Asset}}{\text{Total Equity}}$
Interest Coverage Ratio	Nil	Nil	Nil	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense}}$
Net Income Margin	0.0882	0.0641	0.1047	$\frac{\text{Net Income}}{\text{Net Revenue}}$
Investment Ratio	0.47	0.48x	0.48x	$\frac{\text{Total Investment and Advances}}{\text{Total Asset}}$
Return on Assets	0.0065	0.0063	0.0099	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Earnings Per Share	0.00076	0.00047	0.00139	$\frac{\text{Net Income after Minority Interest}}{\text{Total Shares Subscribed}}$

**CROWN EQUITIES, INC. AND SUBSIDIARIES**

<b>Framework for the Preparation and Presentation of Financial Statements</b>		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
<b>PFRSs Practice Statement Management Commentary</b>			✓	
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply	✓		
	<del>Annual Improvements to PFRSs 2014 – 2016 Cycle: Deletion of short-term exemptions for first-time adopters</del>			
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Meaning of 'vesting condition'			✓
	<del>Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions</del>			
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	<del>Amendments to PFRS 4: Applying PFRS 9: Financial Instruments with PFRS 4: Insurance Contracts</del>			✓

PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments			
	<del>Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39</del>			✓
PFRS 9 (2014)	<del>Financial Instruments</del>		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	<del>Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an investor and its Associate or Joint Venture</del>	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓

	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception		✓	
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Clarification of the scope of the standard			
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts	✓		
<b>PFRS 15</b>	<del>Revenue from Contracts with Customers</del>	✓		
<b>PFRS 16</b>	<del>Leases</del>	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes			✓
	Amendments to PAS 1: Disclosure Initiative		✓	
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
	<del>Amendments to PAS 7: Disclosure Initiative</del>	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		



	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans	✓		
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			

			✓	
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value	✓		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions			✓
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"			✓
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		

	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
	Amendments to PAS 40: Transfers of Investment Property			
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓

<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
<b>PIC Q&amp;A 2006-01</b>	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
<b>PIC Q&amp;A 2006-02</b>	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements			✓
<b>PIC Q&amp;A 2007-01-Revised</b>	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
<b>PIC Q&amp;A 2007-02</b>	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
<b>PIC Q&amp;A 2007-03</b>	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
<b>PIC Q&amp;A 2007-04</b>	PAS 101.7 – Application of criteria for a qualifying NP&E			✓
<b>PIC Q&amp;A 2008-01-Revised</b>	PAS 19.78 – Rate used in discounting post-employment benefit obligations			✓
<b>PIC Q&amp;A 2008-02</b>	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
<b>PIC Q&amp;A 2009-01</b>	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
<b>PIC Q&amp;A 2009-02</b>	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
<b>PIC Q&amp;A 2010-01</b>	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
<b>PIC Q&amp;A 2010-02</b>	PAS 1R.16 – Basis of preparation of financial statements	✓		
<b>PIC Q&amp;A 2010-03</b>	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan	✓		
<b>PIC Q&amp;A 2011-01</b>	PAS 1.10(f) – Requirements for a Third Statement of Financial Position			✓
<b>PIC Q&amp;A 2011-02</b>	PFRS 3.2 – Common Control Business Combinations			✓
<b>PIC Q&amp;A 2011-03</b>	Accounting for Inter-company Loans			✓
<b>PIC Q&amp;A 2011-04</b>	PAS 32.37-38 – Costs of Public Offering of Shares			

				✓
<b>PIC Q&amp;A 2011-05</b>	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
<b>PIC Q&amp;A 2011-06</b>	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
<b>PIC Q&amp;A 2012-01</b>	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
<b>PIC Q&amp;A 2012-02</b>	Cost of a New Building Constructed on the Site of a Previous Building			✓
<b>PIC Q&amp;A 2013-01</b>	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
<b>PIC Q&amp;A 2013-02</b>	Conforming Changes to PIC Q&As - Cycle 2013			✓
<b>PIC Q&amp;A 2013-03 (Revised)</b>	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
<b>PIC Q&amp;A 2015-01</b>	Conforming Changes to PIC Q&As - Cycle 2015			✓
<b>PIC Q&amp;A 2016-01</b>	Conforming Changes to PIC Q&As - Cycle 2016			✓
<b>PIC Q&amp;A 2016-02</b>	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
<b>PIC Q&amp;A 2016-04</b>	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts	✓		

**Legend:**

**Adopted** – means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

**Not Adopted** – means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

**Not Applicable** – means the standard or interpretation is not relevant at all to the operations of the entity.

**Crown Equities, Inc.**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Unappropriated Retained Earnings, beginning</b>	<b>P57,655,995</b>
<b>Adjustments:</b>	
Less: Prior year adjustment	2,542,934
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>	<b>55,113,061</b>
<b>Net Income</b>	<b>P4,164,599</b>
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(1,690,183)
Fair value adjustments (M2M gains)	-
Fair value adjustments of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP – gain	-
Deferred tax benefit	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	
Deferred tax expense	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP – loss	-
Loss on fair value adjustment of investment property (after tax)	-
<b>Net Income Actual/Realized</b>	<b>2,474,416</b>
<b>Less: Appropriations of Retained Earnings during the period</b>	<b>-</b>
<b>Unappropriated Retained Earnings, as adjusted, ending</b>	<b>P57,587,477</b>