

COVER SHEET

CROWN EQUITIES, INC.

(Company's Full Name)

12th Floor, Equitable Bank Tower

8751 Paseo de Roxas, Makati City

Company's Address: No./Street/City/Town/Province

886-0157 to 58

Company's Telephone Number

December 31

Calendar Year Ending
(Month & Day)

(Annual Meeting)

Definitive Information Statement (SEC Form 20-IS)

Form Type

Amended Designation (If Applicable)

N/A

Secondary License Type and File Number

LCU

Cashier

DTU

A1996-39745

S.E.C. Registration No.

Central Receiving Unit

File Number

Document I.D.



CROWN EQUITIES
INCORPORATED

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Dear Stockholder:

Please be advised that CROWN EQUITIES, INC. will hold its annual meeting of stockholders on Tuesday, June 30, 2009 at 4:00 p.m. at the Dasmariñas Room, Makati Sports Club, 1227 Leviste St. corner Gallardo St., Salcedo Village, Makati City.

The agenda of the meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on June 24, 2008
4. President's Report
5. Approval and Ratification of all Acts of the Board and Management during the past year
6. Election of Directors
7. Appointment of the External Auditor for 2009
8. Other Matters
9. Adjournment

Stockholders of record as of April 30, 2009 are entitled to vote at the annual stockholders' meeting.

Your attendance is earnestly requested.


ELMER B. SERRANO
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[] Preliminary Information Statement
[x] Definitive Information Statement
2. Name of Registrant as specified in its charter: CROWN EQUITIES, INC.
3. Philippines
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: 39745
5. BIR Tax Identification Code: 002-837-461
6. 12/F Equitable Bank Tower, 8751 Paseo de Roxas, Makati City 1200
Address of principal office Postal Code
7. Registrant's telephone number, including area code (632) 886-0157 to 58
8. Date, time and place of the meeting of security holders
June 30, 2009 4:00 pm
Dasmarinas Room, Makati Sports Club
1227 Leviste St., corner Gallardo St.
Salcedo Village, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
June 2, 2009
10. In case of Proxy Solicitation: (N/A)
Name of Person Filing the
Statement/Solicitor: _____
Address and Telephone No.: _____
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock
Outstanding or Amount of Debt Outstanding |
|----------------------|-------------------------------------------------------------------------------|
| <u>Common Shares</u> | <u>13,599,999,960</u> |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes X No _____
If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange / Common Shares

INFORMATION REQUIRED IN INFORMATION STATEMENT

**WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY**

1. Date, Time and Place of Meeting of Security Holders

(a) Date, time and place of meeting of security holders

**June 30, 2009, 4:00 p.m.
Dasmariñas Room, Makati Sports Club
1227 Leviste St. corner Gallardo St.
Salcedo Village, Makati City**

Complete mailing address of the principal office of the registrant

**12th Floor, Equitable Bank Tower
8751 Paseo de Roxas Avenue
Makati City, 1226**

(b) Approximate date on which the Information Statement is first to be sent or given to security holders:

June 2, 2009

2. Dissenter's Right of Appraisal

A stockholder has a right to dissent and demand payment of the fair value of his share: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares or authorizing preferences over the outstanding shares or extending or shortening the term of corporate existence; (ii) in case of any sale, lease, mortgage or disposition of all or substantially all of the corporate property or assets; and (iii) in case of merger or consolidation.

The Company is not aware of any action or matter to be taken up at the annual stockholders' meeting that will give rise to the exercise by a shareholder of the right of appraisal.

At any rate, should any matter be acted upon at the annual stockholders' meeting which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder shall, within thirty (30) days after the annual meeting at which such stockholder voted against the corporate action, make a written demand on the registrant for the value of his shares. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

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

No directors or officers, nominees for election as directors, and associates of any of the aforementioned persons of the registrant have any substantial interest in any matter to be acted upon other than the election to office. In addition, no director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

4. Voting Securities and Principal Holders Thereof

There is only one class of capital stock issued and outstanding – Common.

(a.) The number of shares outstanding and entitled to vote in the stockholders' meeting is 13,599,999,960 shares as of April 30, 2009.

(b.) The record date for purposes of determining stockholders entitled to vote in the meeting is April 30, 2009. A stockholder is entitled to cumulative voting in the election of directors (by which he can cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares of his shares shall equal) or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected. There are no conditions precedents for the exercise of the cumulative voting rights in the election of directors.

(c.) Security Ownership of Certain Record and Beneficial Owners and Management of the Registrant

Security Ownership of Certain Record and Beneficial Owners

The persons known to the registrant to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the registrant's voting securities as of April 30, 2009 are as follows:

(1) <i>Title of Class</i>	(2) <i>Name, address of record owner And relationship with Issuer</i>	(3) <i>Name of beneficial owner and relationship with record owner</i>	(4) <i>Citizenship</i>	(5) <i>No. of shares held</i>	(6) <i>Percent of ownership</i>
Common Shares	PCD Nominee Corp.¹ 37/F Tower 1 Enterprise Center Ayala Ave. cor Paseo de Roxas, Makati City <i>Stockholder</i>		Filipino	8,381,264,936	61.63%
	PCD Beneficial Owners of more than 5%:				
	Guild Securities, Inc. PCD Participant	Antonio B. Alvarez President	Filipino	3,039,954,264	22.35%
	Marian Securities, Inc. PCD Participant	Richard L. Lee President	Filipino	1,031,616,000	7.59%
	BDO Securities Corp. PCD Participant	Elaster C. Soto President	Filipino	940,444,976	6.92%
Common Shares	Guild Securities, Inc. (Filipino) Unit 1215 Tower One and Exchange Plaza, Ayala Avenue, Makati City <i>Stockholder</i>	Antonio B. Alvarez President	Filipino	2,935,984,888	21.588%
	First Orient Securities, Inc. 1201 Tower One & Exchange Plaza, Ayala Ave. cor. Paseo de Roxas, Makati City <i>Stockholder</i>	Trinidad Y. Kalaw President	Filipino	706,727,592	5.19%

¹PCD Nominee Corp. (PCD), a wholly owned subsidiary of Philippine Central Depository, Inc., is the registered owner of shares in the books of the Company's transfer agents in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients. PCD is a private company 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

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 Company.

Security Ownership of Management

Security ownership of Management and Directors as of April 30, 2009 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>
A. Directors				
Common Shares	Edilberto V. Javier	4,008,000 ^{db1}	Filipino	0.03%
Common Shares	George L. Go	128,000,800 ^{db2}	Filipino	0.94%
Common Shares	Antonio B. Alvarez	177,600 ^d	Filipino	nil
Common Shares	Ramon A. Recto	56,800,000 ^{db3}	Filipino	0.42%
Common Shares	Jerry C. Angping	8,000 ^d	Filipino	nil
Common Shares	Victor C. Macalincag	10,000,080 ^{db4}	Filipino	0.07%
Common Shares	Wilfrido V. Vergara	19,296,000 ^d	Filipino	0.14%
Common Shares	Patrick D. Go	171,120,000 ^{db5}	Filipino	1.26%
Common Shares	Conrado G. Marty	80,008 ^d	Filipino	nil
Common Shares	Isidro A. Consunji	8,000 ^d	Filipino	nil
Common Shares	Eugene B. Macalalag	6,800,080 ^{db6}	Filipino	0.05%
Common Shares	Andres N. Borja	40,000,000 ^d	Filipino	0.29%
Common Shares	David O. Chua	400,000 ^d	Filipino	nil
Common Shares	Romuald U. Dy-Tang	76,720,000 ^{db7}	Filipino	0.56%

B. Executive Officers

<u>C. Directors and Officers as a Group</u>	512,958,568	3.77%
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^d – these are directly owned by the aforementioned director or officer

^{db1} – 4,000,000 of these are registered in one of the PCD member companies but beneficially owned by the director

^{db2} – 124,000,000 of these are registered in one of the PCD member companies but beneficially owned by the director

^{db3} – 55,920,000 of these are registered in one of the PCD member companies but beneficially owned by the director

^{db4} – 10,000,000 of these are registered in one of the PCD member companies but beneficially owned by the director

^{db5} – 35,112,000 of these are registered in one of the PCD member companies but beneficially owned by the director

^{db6} – 6,800,000 of these are registered in one of the PCD member companies but beneficially owned by the director

^{db7} – 76,700,000 of these are registered in one of the PCD member companies but beneficially owned by the director

There are no arrangements that may result in a change in control of the registrant, nor has there been any change in control since the beginning of the last fiscal year.

5. Directors and Executive Officers

The general management of the Company is vested in a board of fifteen competent directors, committees and officers, elected in accordance with the Company's By-Laws, as amended by the Board of Directors and the stockholders on June 7, 2006 and July 28, 2006 and per the Certificate of Filing of Amended By-Laws dated August 25, 2006 issued by the Securities and Exchange Commission, respectively, to embody the requirements of SRC Rule 38, and in accordance with its Manual on Corporate Governance. As required under its Manual, the Company has independent members of the board of directors. An independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities.

The Nomination Committee is composed of the following:

Mr. Wilfrido V. Vergara – Chairman
Mr. Edilberto V. Javier – Member
Mr. Antonio B. Alvarez – Member
Mr. Andres N. Borja – Member
Mr. Victor C. Macalincag - Member
Mr. Ramon A. Recto – Member

The Nomination Committee and the other committees are created during the organizational board meeting held right after the shareholders' meeting.

The independent directors, through the Nomination Committee, are identified, screened, endorsed and nominated for election to the Board of Directors in accordance with Rule 38 of the Securities Regulation Code, as amended.

The Nomination Committee, created by the Board under its Corporate Governance Manual, endorsed the following persons for re-election, to regular membership in the Board of Directors at the forthcoming annual stockholders' meeting:

Edilberto V. Javier	David O. Chua	Wilfrido V. Vergara
Andres N. Borja	Antonio B. Alvarez	Conrado G. Marty
Eugene B. Macalalag	Patrick D. Go	George L. Go
Isidro A. Consunji	Romuald U. Dy-Tang	

The Nomination Committee also conducted the nomination of independent directors in accordance with SRC Rule 38. The recommendations have been signed by the nominating stockholder together with the acceptance and conformity by the would-be nominees. There were only two nominations made, both by Mr. Buenaventura J. De Asis who is unrelated to either nominee by consanguinity or affinity. The Nomination Committee, after pre-screening the qualifications of the nominees, endorsed the re-election of the following:

Mr. Victor C. Macalincag; and
Mr. Ramon A. Recto

as the only and final candidates for Independent Directorship. Pursuant to the SRC Rule 38 on the Nomination and Election of Independent Directors, there will be no more nominations on the floor during the stockholders' meeting as the final list of candidates will be the basis for the elections of two independent directors.

Each director shall hold office for one (1) year from the time of his election until his successor is duly elected and qualified. All of the above nominees are incumbent directors. The information required by Part IV, paragraphs A, D(1) and D(3) of Annex C of SRC relating to the identity, affiliation, and related transactions of directors and executive officers are set forth starting on page 22 of the Report Accompanying Information Statement Required Under SRC Rule 20 considering that they are incumbent directors.

There is no material pending legal proceedings which involves the Company, any of its subsidiaries, or any of its directors and executive officers.

6. Compensation of Directors and Executive Officers

In 2008, the Company's Executive Officers consisted only of the following key personnel: the President who is also the Chairman of the Board, the Treasurer, and the Vice-President for Finance and

Administration. The President and the Treasurer are not employees of the Company while the Vice President for Finance and Administration is a regular employee and is remunerated with a compensation package comprising of twelve months pay and regular benefits required by law.

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 Company are as follows:

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS				
Name and Principal Position	Year	Salary	Bonus & Others	Total
Compensation of Executive Officers <i>Eugene B. Macalalag</i> , Vice President for Finance & Admin.	2009*	0.9 million	-	0.9 million
	2008	0.9 million	-	0.9 million
	2007	0.9 million	-	0.9 million
Total Compensation of Officers and Directors**	2009*	1.6 million	-	1.6 million
	2008	1.6 million	-	1.6 million
	2007	1.0 million	-	1.0 million

* Estimate

** No substantial compensation was made to the Directors during the last two years

As provided for under the Company'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 Company during the preceding year. Such compensation shall be determined and apportioned among the Directors in such manner as the Board may deem proper, subject to the approval of shareholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Except for a Php5,000 per diem per meeting for each director which started in August 2007, no other payment for directors' per diem, allowance or payment for their compensation had been made during the last two fiscal years. The Company does not anticipate any directors' compensation other than the regular per diem within the next twelve months.

7. Independent Public Accountants

During the stockholders meeting held on June 24, 2008, the firm of Punongbayan & Araullo was appointed as auditors for the year 2008. Duly authorized representatives of Punongbayan & Araullo are expected to be present at the Annual Meeting of Stockholders and they will have the opportunity to make statement if they desire to do so and are expected to be available to respond to appropriate questions. Meanwhile, in its regular meeting held on the 28th of April 2009, the Board of Directors endorsed to the shareholders the auditing firm Manabat Sanagustin & Co. to handle the independent audit of the Corporation for year 2009.

Pursuant to SRC Rule 68 paragraph 3(b)(iv), the Registrant shall change its external auditor or rotate the engagement partner every five years.

For the audit of the company's financial statements, the aggregate fees billed by the independent auditors were P1.0 million and P750 thousand for years 2008 and 2007, respectively. There were no other professional fees billed by the external auditors during the year. The Audit Committee reviews all proposals for services to be rendered by the independent auditor.

The Audit Committee reviews and approves the scope and fees for all engagements with the independent auditor. In the last two years, the Company did not engage the independent public accountants for any services other than the regular conduct of independent audit of year-end financial statements.

8. Compensation Plans

Stock Options, Warrants or Rights Plan

On May 2, 2002, the Board has authorized the implementation of a stock option plan for any or all directors and executive officers of the Company as may be designated by the Board. The stockholders subsequently approved the stock option plan during the Company's annual stockholders meeting on May 31, 2002. Pursuant to the terms and conditions of the stock option plan contemplated to be implemented for directors and executive officers of the Company under terms and conditions set forth in a resolution of the Board, the Company will issue a total of Three Hundred Million (300,000,000) common shares over a five-year period. The shares to be issued under the plan will be common shares. On March 27, 2007, the Board of Directors approved the extension of the vesting period for another five (5) years, or until May 31, 2012.

On August 28, 2007, the shareholders approved the reduction in the par value of the Company's common shares from Php1.00 per share to Php0.10 per share. The Securities and Exchange Commission subsequently approved the reduction in par value on January 10, 2008. Accordingly, under the terms and conditions of the plan, the number of shares underlying the stock option increased from Three Hundred Million (300,000,000) to Three Billion (3,000,000,000) common shares. The increase in the number of underlying shares of the plan is merely a consequence of the reduction in par value.

The terms and conditions under which such stock option plan will be granted to designated participants are as follows:

(a) Title and amount of securities underlying the stock option

Title of securities underlying the stock option	Common shares
Amount of securities underlying the stock option	Three Billion (3,000,000,000)

(b) Prices, expiration dates and other material condition that may be expected:

Participants	Any or all directors and executive officers of the Company as may be designated by the Board
Grant of Stock Options	Stock Options shall be awarded to participants based on satisfaction of performance requirements and other restrictions and conditions as may be imposed by the Board and subject, in all cases, to the full discretion of the Board.
Exercise Price	Par value or book value whichever is higher.
Entitlement Date	May 31, 2002 (the "Entitlement Date")
Vesting/Expiration	The option shares shall be subject to vesting according to such schedule as shall be approved by the Board; provided, that the vesting shall lapse after five (5) years from Entitlement Date; provided further, that with respect to executive officers, options shall expire upon their resignation.
Adjustment in Number of Option Shares and Exercise Price	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 other similar or analogous change in the corporation structure or capitalization of the Company.
Amendment at the Board of Directors' discretion	Terms and conditions of the stock option plan may be amended by resolution of the Board of Directors, except any increase in the maximum number of shares or any decrease in the exercise price which shall require the approval of stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

(c) No consideration will be received by the Company for the granting or extension of the options.

(d) Market value of the common shares as of May 15, 2009 is ₱0.0400 per share.

(e) Amount of options awarded and number of participants designated by the Board:

Total number of participants awarded as of December 31, 2008:	None.
Total number of participants designated by the Board as of December 31, 2008:	None.

Description of Registrant's Securities

(a) Common Stock

The shares of the Company which are issued and outstanding are common shares having dividend and voting rights. There are no material rights of security holders owning common shares other than those provided by law. There is no current provision in the Articles of Incorporation or By-laws of the Company that would delay, defer, or prevent a change in control of the Company.

As amended by the Board of Directors and Stockholders in its meeting held on 23 April 1996 and 7 May 1996, respectively, the Company's Articles of Incorporation provides that no holder of any class of shares of the Corporation shall have as such holder, any pre-emptive right to acquire, purchase or subscribe to any share of the capital stock of any class of the Corporation which it may issue or sell whether out of the number of shares authorized or out of shares of the capital stock of any class of the Corporation acquired by it after the issue thereof; nor shall any holder of any class of shares of the Corporation have as such shareholder, any pre-emptive right to acquire, purchase, or subscribe to any obligation which the Corporation may issue or sell that shall be convertible into or exchangeable for any shares of the capital stock of any class of the Corporation or to which shall be attached or appertain any warrant or any instrument that shall confer upon the owner of such obligation, warrant or instrument the right to subscribe to or to acquire or purchase from the Corporation, any share of its capital stock of any class.

On August 28, 2007, the shareholders approved the capital restructuring of the Company which resulted to the amendment of its Articles of Incorporation, specifically the following:

“Seventh: That the authorized capital stock of said corporation is Two Billion Four Hundred Million Pesos (P2,400,000,000.00), Philippine Currency and said capital stock is divided into Twenty Four Billion (24,000,000,000) common shares with a par value of Ten Centavos (P0.10) per share.”

There are no other classes of capital stock authorized for issue by the Company.

(b) Stock Options

On May 2, 2002, the Board has authorized the implementation of a stock option plan for directors and executive officers of the Company as maybe designated by the Board of Directors. The vesting period was extended by the Board of Directors for another five (5) years, or until May 31, 2012. Please refer to Item 8 above for the details of the stock option.

(c) Securities subject to Redemption Call

Except in respect of common shares of the Company which are the underlying shares for the stock option plan to be participated in by directors and executive officers as approved by the Board on May 2, 2002 and ratified by the stockholders in the annual stockholders' meeting on May 31, 2002, there are no securities of the Company subject of redemption or call.

9. Action with Respect to Reports and Other Proposed Action

The following will be taken with respect to any report of the registrant or of its directors, officers or committees:

- a. the approval of the minutes of the previous stockholders' meeting held on June 24, 2008, a copy of which is included as Annex B in this information statement;
- b. the elections or appointments of corporate officers, members of the Executive Committee, Nominations Committee, Compensation and Remunerations Committee, and Audit Committee;
- c. the approval of the audited financial statements for the year 2008, a copy of which is attached to this information statement;
- d. the ratification of all acts of the Board of Directors, the various Committees, and Management.

No director has informed the registrant in writing that he intends to oppose any action to be taken at the meeting.

10. Voting Procedures, Requirement and Method of Counting

The following are observed in the conduct of election, appointment, ratification or approval:

- (a) Manner of Voting. Stockholders of record are entitled to one (1) vote per share.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them in the same principle among as many candidates as he shall see fit.

There is no manner of voting prescribed in the Amended By-Laws of the Corporation. Hence, unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands, *viva voce*, or by balloting. The Corporation's Corporate Secretary shall be authorized to count all votes cast.

- (b) Voting Requirements. With respect to the election of directors, candidates who received the

highest number of votes shall be declared elected. With respect to the ratification of acts of the Board of Directors and Management, including, the following matters mentioned in Item 9 above, the approval of the audited financial statements, the appointment of the independent auditor, and the approval of the minutes of the previous stockholders' meeting, the vote of the stockholders representing majority of the outstanding capital stock entitled to vote and represented in the meeting is required.


With respect to the ratification of the amendments of the Articles of Incorporation pursuant to the capital restructuring, the vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock entitled to vote and represented in the meeting is required.

- (c.) Method of Counting Votes. Counting of votes will be done by the Corporate Secretary or his authorized representative(s), with the assistance of the representatives of the stock transfer agent of the Registrant. All votes attaching to the shares of stock, owned by stockholders whose proxies were received by the Registrant will be cast in accordance with the instructions given or authority granted under the proxies where such shares have voting rights.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Makati on May 15, 2009.

CROWN EQUITIES, INC.
Registrant


GEORGE L. GO
Chairman of the Board of Directors
and President

REPORT ACCOMPANYING INFORMATION STATEMENT
REQUIRED UNDER SRC RULE 20

(A) Audited Consolidated Financial Statements

The audited consolidated financial statements of the registrant as of December 31, 2008 and the Statement of Management Responsibility for Financial Statements are attached hereto. The consolidated interim financial statements for the first quarter 2009 are likewise included in this report.

(B) Changes in and Disagreements with Auditor on Accounting and Financial Disclosure

During the stockholders meeting held on June 24, 2008, the firm of Punongbayan & Araullo was appointed as auditors for the year 2008. The auditing firm Manabat Sanagustin & Co. is being considered to be recommended to security holders for appointment as external auditors of the Company for year 2009. There were no disagreements with the independent accountants on accounting and financial disclosures in the two most recent fiscal years.

(C) Management Discussion and Analysis of Financial Condition and Results of Operations

The financial statements of the Corporation have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Corporation has adopted all the relevant PFRS for the first time in its financial statements for the year ended December 31, 2006. The Company's financial statements for 2008 and the comparatives presented for 2007 comply with all presentation and disclosure requirements of the relevant PFRSs applicable for accounting periods commencing on or after January 1, 2006. Management's discussion of the Company's financial condition and results of operation presented below should be read in conjunction with the attached audited financial statements of the Company.

Financial Condition and Changes in Financial Condition

In 2008, total assets increased by 3% as Palma Real complemented by Cypress Towers, continue to realize sales thereby converting inventories into higher value cash and receivables. Likewise, the Cypress Towers Project started generating sales. In addition, there were a couple of properties in Taguig City which were acquired partially financed on credit. Whereas, total assets barely moved in 2007 despite payments of current liabilities and overhead expenses, it stood at P1.83 billion as of the end of year 2007. The decrease on cash, mostly attributable to payment of outstanding obligations related to previously acquired properties, acquisition of new real estate property in Makati, payment of accrued payables and due to related parties. The outflow of cash was cushioned by the realized income for the year. In 2006, total assets increased by 1.0% to Php1.84 billion from that of the year-end 2005 level of Php1.821 billion. Total cash level in 2006 increased significantly from Php35.67 million in 2005 to Php336.8 million. Cash flows mainly came from the collection of the proceeds from the disposition of the Corporation's controlling interest in Hopewell Crown Infrastructure, Inc. (HCII) together with continued marketing of the Palma Real project.

Total current assets increased by P30 million or 5% in 2008 despite cash disbursements. Part of the increase came from the reclassification of some investment property into inventory, resulting to a net increase in inventory by 25%. In addition, receivable from sales increased 61% to P83 million from the P51 million level in 2007. On the other hand, financial assets at fair value thru profit and loss continued to decline in 2008 registering a decrease of 26% or P3 million. In 2007, total current assets decreased by P96 million, a reduction of 14% from 2006 level of P676 million. The reduction in the total current assets was mainly brought about by the 18% decrease on cash level and 79% on other current assets against the 2006 totals. Cash were used in the repayment of various liabilities and in investments. Receivables which are mostly buyers of Palma Real decreased by 3% amounting to P1.5 million which was net effect of collection of receivables from old buyers and new sales with

collection of 25% of contract price or more for the current year. There was a decrease on the marketable securities of 17%, of which 6% was attributed by the decline on fair value as of December 31, 2007. Other Current assets dropped by 79% from 2006 balances of P6.8 million to P1.4 million for 2007 due to consumed amounts of prepaid items for 2007. In addition to the Corporation's collection from the sales of the Palma Real project in 2006, receivables were also collected from the buyer of the Corporation's interest in HCII resulting to a net decrease by over 84% in Receivable and Advances account. In 2006, the Corporation collected over Php300 million from MTD Equity Sdn Bhd representing the remaining accounts from the disposition of the Corporation's controlling interest in HCII. Meanwhile, Financial Assets Thru Profit and Loss rose over 22 times in 2006 to Php14.2 million from 2005. The increase was mainly the result of the Corporation's investment in marketable securities listed in the Philippine Stock Exchange amounting to over Php14 million. Other Current Assets likewise increased almost 3 times to Php6.9 million in year end 2006.

In 2008, non-current assets recorded a net increase of 2% or P29 million, resulting from a significant P77 million increase in property and equipment. Goodwill was also recorded for the first time in 2008 from the Corporation's additional investment in Healthcare Systems of Asia Philippines, Inc., an associate, resulting to a significant takeover of the Corporation. Although non-current receivables decreased by 13% and investments in and advances to related parties likewise decreased by 25%, total non-current assets managed to grow by 2%. In 2007, non-current accounts receivable, which is mainly composed of accounts related to Palma Real, increased by 38% as Palma Real continued to generate new sales and buyers continue meeting their minimum 25% payment to realize full contract receivables. On the other hand, investments and advances to related parties went down by 1% from the 2006 level, resulting from the disposal of its investment in MTD Manila Expressways and payments made by its subsidiaries and affiliated parties. In addition, the Corporation continued on its development of property-related projects which mostly pertains to titling costs and consolidation of land to improve access to the properties. Investment in properties increased by 10% in 2007 resulting from the purchase of a property located in Makati at P65 million and net effect of recovery and impairment on the various properties as reported by an independent appraiser. Net increase on the Property and equipment of 27% in 2007 was attributed by the purchase of a vehicle and depreciation expense for the year. Other non-current assets increased by 56% to P31.3 million in 2007 compared to P20 million of 2006. This was brought about by the additional deferred commissions from Palma Real Project and consolidation of input taxes for 2007.

In 2006, among the non-current assets, accounts receivable decreased by 14% to Php33 million as Palma Real continued to collect from its customers. Accordingly, investment in joint venture decreased by 7.5% to Php265 million in 2006 from the Php287 million levels in 2005. Meanwhile, investment in and advances to related parties barely moved as there were no significant long term investments during the year. In 2005, the account dropped as substantial amounts of investment and advances were reclassified as receivable accounts resulting from the Corporation's disposition of its shares in HCII. On the other hand, Investment Property which pertains to various parcels of land intended to be developed into commercial and/or residential areas by the Corporation and its subsidiaries, barely moved in 2006. There were no significant transactions pertaining to such properties during the year except for some payments to previous owners and payments to clear and small acquisitions to make some areas contiguous. Other non-current assets increased by 35% to Php20 million in 2006. This is composed mostly of input taxes. This account decreased by 21% to P15 million in 2005 as tax assets were gradually consumed to cover the output VAT on sales from Palma Real.

Total liabilities increased by 24% to P254 million in 2008 from P204 million in 2007. It was mainly due to an increase in accounts payable and other liabilities which increased by P58 million from the previous year's levels. The net increase in total liabilities of P49 million was recorded after P11 million was paid to a related party. Total liabilities decreased by P35 million for the year 2007, down by 15% from the year-end 2006 levels. The reduction was mainly due to payments of a portion of the remaining balance of acquisition cost of real estate properties previously purchased in Taguig

City and in Sto. Tomas, Batangas. Total liabilities stood at P204 million at the end of 2007. It amounted to Php240 million as of yearend 2006 after a decrease by 8.8% from that of the previous year's level of Php263 million. The decreases mainly resulted from payments in due to related parties representing advances to the Palma Real project made by the Corporation's joint venture partner.

Accounts payable and other current liabilities increased by 83% in 2008. The net increase was a combined effect of an increase in liability from an acquisition of a piece of property and from a short term advances from an associate. In 2007, accounts payable and other liabilities decreased by P23 million after the Corporation made payments for accrued overhead expenses, taxes and partial payments for outstanding liabilities for acquired properties and commissions. The decrease on the due to related party totaling to P11.5 million represents the partial payments made by Crown Central Properties to Solid Shareholdings Corporation, thereby decreasing due to related parties account by 11%. In the meantime, the subscription payable did not change during the year 2007. In 2006, Php8.7 million in bank claim for advances to the Corporation for expenses related to the dacion en pago transactions during the prior years was fully settled, resulting to a reversal of Php6.1 million. This mainly caused the reduction in total accounts payable by 4.9% in 2006. In addition, there were payments for taxes and payments for accrued overhead charges. Moreover, advances from joint venture partner reported under due to related parties were partially paid by P18.5 million resulting to a decrease in Due to Related Parties by 15%. Meanwhile, the Corporation recognized additional provision for retirement obligation increasing the amount to Php960 thousand in 2006. It recognized retirement benefit obligations amounting to P721 thousand in 2005. Meanwhile, unrealized gross profit from sales from the Palma Real Project was eliminated in 2006 in the accounts due to the change in method of accounting from installment method to full accrual method.

Finally, stockholders' equity barely moved at 1% increase as net income realized during 2008 was insignificant compared to the previous year. In 2007, due to the recorded net income, stockholders' equity stood at P1.49 billion which is higher by 2% compared to the 2006 balances of P1.46 billion which is better by 2.4% compared with 2005 balances.

Results of Operation

2008 did not witness a significant improvement in net income as it registered only P9.6 million in the bottomline, whereas, the Corporation posted an after-tax net income amounting to P30.44 million in 2007. The net income in 2006 was P 40.56 million. The net income for 2006 was a result of higher interest received from bank placements, owing to the improved cash level of the Corporation, from gain on sale of marketable securities and other income mostly coming from imposed penalties on non-recurrent transactions. In 2005, the significant item resulting to the net income was mainly the recognition of gain on disposal of investment.

Revenues and Other Income

Total revenue for 2008 increased 18% to P111 million from the P92 million generated during 2007. In 2008, Real Estate sales already included sales generated from the Cypress Towers Project amounting to P31 million out of the total P79 million. Although not significant, interest income added to revenues while other income decreased by 56%. The decrease in other income was due to the absence of a non-recurring income previously recognized in 2007. In 2007, Real Estate sales solely pertained to the Palma Real Project. It slowed down during the year registering a lower amount of P 32 million compared to P36 million for the year 2006, or a decline of 11%. Interest Income likewise declined by 54% or a reduction of P15 million. The decline on the interest income mainly accounted by the recognition of change on accounting method for Crown Central Properties and the application of new accounting standards on the recognition of interest income. Other income, however, was mainly attributed to the net gain on sale of marketable securities amounting to P13.8 million making other income for 2007 is still lower by 35% compared with 2006 amounts. There was over P17 million in other income in 2006 which came from penalties imposed on Northeast

Development and Acquisitions Corp.. In 2007, income generated from the disposal of investment on MTD Expressways Inc. (formerly Hopewell Crown Infrastructure Inc.) amounting to P26 million augmented the revenue generated from real estate sales and interest income. Meanwhile, revenues from the Palma Real Project amounted to Php36.7 million compared to Php50.8 in 2005. On the other hand, owing to the significant improvement in the cash position of the Corporation and to sales in Palma Real, interest income in 2006 increased by 109% to Php29.2 million, more than double from the 2005 levels.

Cost and Expenses

Costs and expenses in 2008 consisted mainly of cost of real estate sales, professional fees and commissions related to sale of real estate, decline in value of financial assets at fair value through profit and loss, and impairment losses. As real estate sales increased 141%, cost of real estate sales increased likewise by 71% from P26.7 million in 2007 to P45.8 million in 2008. Decline in value of marketable securities amounted to P8.4 million resulting from the general negative mood in the equities market. In addition, the Corporation provided for possible uncollectible advances to a subsidiary amounting to P6 million and equity in net loss of an associate amounting to P5.7 million. Meanwhile for year 2007, the operating costs and expenses reached P55.7 million. Cost of real estate sales pertaining to the Palma Real project only amounted to P26.7 million, up by 24% from the P21.6 million in 2006. Commission cost to the marketing group was lower by 50% at P1.5 million in 2007 as against P3.0 in 2006, owing to lower sales volume compared to volume in 2006.

Cost of sales was P26.7 million in 2007, higher by 24% from the previous year's Php21.6 million. Related to this project, commission expenses is lower at P1.5 million pesos compared to P3.0 million in 2006.

After deducting the share of minority interest, net income for the year 2008 amounted to P4.9 million resulting to an income per share of P0.0003. In 2007, net income for the year amounted to P30.7 million after removing the minority share, translating to earnings per share of P0.00226. This is lower compared to the net income and earnings per share for the year 2006 of P 40.5 million and P0.0025, respectively.

Key Performance Indicators

The Corporation measures its performance based on the utilization of assets and the return on its investments. Most of the Corporation's investments are in ventures that are still at pre-operating stages.

Only Crown Central Properties Corporation and Healthcare System of Asia Philippines, Inc. were in operation during 2007 and 2008. Most of the Corporation's investments are in ventures that are still at pre-operating stage.

In 2008, investment ratio declined to 59% as some investment properties were reclassified into inventory. The ratio, which indicates the proportion of total assets invested in various ventures including land banking, went up from 60% of total assets at year-end 2006 to 64% of total assets at year-end 2007. The increase was due to an acquired property in Makati which will hold the future office of the Corporation. The Corporation has not made any significant additional investments and advances to subsidiaries and associates during the year, except for small purchases of land either to complete the consolidation or to improve access thereto.

Indicator	As of		Formula
	Dec 2008	Dec 2007	
Investments Ratio	0.59	0.64	$\frac{\text{Total Investment and Advances}}{\text{Total Assets}}$
Current Ratio	2.42	2.85	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt Ratio	0.13	0.11	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
	Twelve-Month Period		
	Dec 2008	Dec 2007	
Return on Assets	0.008	0.019	$\frac{\text{EBIT}}{\text{Total Assets}}$
Earnings Per Share	0.0003	0.0022	$\frac{\text{Net Income}}{\text{Total Shares Subscribed}}$

Current ratio is slightly down from 2.85x at year-end 2007 to 2.42x at year-end 2008. This was due primarily to the increase in current liability level as some properties were acquired on credit. The year before, in 2007, current assets of P580 million was more than twice the current liability levels resulting to a 2.85x current ratio. In 2006, interest and other income received and receivables realized from sales in Palma Real increased current assets by 9.2% while payments to related parties and accounts payable decreased total current liabilities by 8.8%. Current ratio, therefore, improved to 2.82x.

In 2007, total liabilities decreased while total assets barely moved due to the reduction in outstanding obligations pertaining to previously acquired properties and the partial payment of advances from related parties. This resulted to an overall improvement of debt ratio from 0.13x in year-end 2006 to 0.11x in year-end 2007. In 2008, on the other hand, total liabilities increased by 24% to P254 million which is eight times higher than the reported increase in total assets. This situation resulted to a slight deterioration in debt ratio from 0.11x in 2007 to 0.13x in 2008.

As the Corporation realized income from operations, return on assets registered a positive 0.019x in year-end 2007 which is lower compared with the return on asset in year-end 2006 which indicated a positive 0.025x. However, earnings before interest and taxes recorded in 2008 amounting to P14 million was much lower than that of 2007's P34 million resulting to a very low return on assets of 0.008x. Consequently, on a per share basis, the Corporation registered a net income of P0.0003 and P 0.0022 for year 2007 after the reduction in par value, which is slightly lower than the P0.020 for year 2006. Earnings per share is calculated after deducting income or losses applicable to minority interest and using the increased number of shares resulting from the decrease in par value from P1.00 per share to P0.10 per share.

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

The Corporation has completed its capital restructuring and has started realizing revenues from its real estate businesses. Recently, it has also increased its equity ownership in the healthcare subsidiary.

The Corporation had a capital restructuring, thereby decreasing its authorized capital stock from Three Billion Pesos (P3,000,000,000.00) divided into Three Billion (3,000,000,000) common shares

with par value of One Peso (P1.00) per share to Two Billion Four Hundred Million Pesos (P2,400,000,000.00) divided into Two Billion Four Hundred Million (2,400,000,000) common shares with par value of One Peso (P1.00) per share; and a corresponding decrease in its subscribed and paid up capital stock from One Billion Six Hundred Nine Million Nine Hundred Ninety Nine Thousand Nine Hundred Ninety Five Pesos (P1,699,999,995.00) divided into One Billion Six Hundred Ninety Nine Million Nine Hundred Ninety Nine Thousand Nine Hundred Ninety Five (1,699,999,995) common shares with par value of One Peso (P1.00) per share to One Billion Three Hundred Fifty Nine Million Nine Hundred Ninety Nine Thousand Nine Hundred Ninety Six pesos (1,359,999,996.00), divided into One Billion Three Hundred Fifty Nine Million Nine Hundred Ninety Nine Thousand Nine Hundred Ninety Six (1,359,999,996) Common shares with par value of One Peso (P1.00) per share.

The Corporation applied its existing additional paid-in capital of Four Hundred Seven Million Two Hundred Sixty Nine Thousand Eight Hundred Seventy Nine Pesos (P407,269,879.00) as per audited financial statements as of December 31, 2006 and the additional paid in capital of Three Hundred Thirty Nine Million Nine Hundred Ninety Nine Thousand Nine Hundred Ninety Nine Pesos (P339,999,999.00) arising from the decrease in authorized capital stock against the capital deficit of Six Hundred Twenty Eight Million, Six Hundred Ninety Nine Thousand Six Hundred Four Pesos (P628,699,604.00).

Finally, a stock split reducing the par value of the common shares from One Peso (P1.00) per share to Ten Centavos (P0.10) per share thereby (a) increasing the number of its authorized common shares from Two Billion Four Hundred Million (2,400,000,000) common shares with a par value of One Peso (P1.00) per share to Twenty Four Billion (24,000,000,000) common shares with a par value of Ten Centavos (P0.10) per share; and (b) increasing the number of its issued and outstanding common shares to Thirteen Billion Five Hundred Ninety Nine Million Nine Hundred Ninety Nine Thousand Nine Hundred Sixty (13,599,999,960) common shares with a par value of Ten Centavos (P0.10) per share.

After the Corporation's exercise of its option to subscribe to 170 million shares of HCII's capital stock and its eventual sale of the same in October 2007, the Corporation has totally divested itself from infrastructure projects.

However, the Corporation's joint development with DMCI of a one-hectare property along Circumferential Road 5 (C5) at Barangay Fort Bonifacio, Taguig City into a residential condominium complex has started to generate revenues. The first building was completed in 2008 while the second and third building will be completed within 2009. The project started generating revenues in 2008 and this will be a major profitable investment of the Corporation.

Meanwhile, CCPC's Palma Real residential subdivision project also continues realizing sales. The project will launch in the second quarter of 2009 its house-and-lot packages.

In the meantime, the Corporation's current operating cash requirements are administrative in nature and do not require material funding. The Corporation has no known trends, demands, commitments, events or uncertainties in the present operations of the Corporation that is likely to result in the Corporation's liquidity increasing or decreasing in any material way nor it is 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 and 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 year. The Corporation has no plans at present of raising additional permanent funds in the next twelve months. Neither has it plans for a significant change in the number of employees.

As of this report, the Corporation 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 Corporation.

The Corporation is not in default of any loans or lease or financing arrangement and there are no significant amounts of trade payables which have not been paid within the stated trade terms. The Corporation foresees a satisfactory business outcome in the succeeding year and does not anticipate having within the next twelve months any cash flow or liquidity problems.

The Corporation and its subsidiaries have neither issued nor invested in any financial instruments or complex foreign securities that will make them susceptible to the effects of the current 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 local equities market reported as "Financial Assets at Fair Value Through Profit and Loss" in its Balance Sheet. But this exposure is insignificant being less than one percent of the Corporation's total asset base. Moreover, these investments in the local stock market 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.

Corporate Governance

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

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

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

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

As certified by the Compliance Officer, there was no material deviation in compliance with the Manual for the year 2008.

(D) Brief Description of the General Nature and Scope of Business of Registrant

Crown Equities, Inc. (CEI) is a Filipino-owned publicly listed investment holding Corporation. The Corporation, through its subsidiaries, acquired various real estate properties to be developed into commercial, industrial, residential, or mixed-use areas. The Corporation has investments in a healthcare business particularly in two medical ambulatory care clinics.

Except for Healthcare Systems of Asia Philippines, Inc. and Crown Central Properties Corp., the subsidiaries of the Corporation are still in the pre-operating stage. The Corporation and its wholly-owned subsidiary, Fort Bonifacio Medical Center, Inc., entered into a joint venture with DM

Consunji, Inc. to develop its property along Circumferential Road 5 (C5) in Taguig into a medium rise residential condominium with medical facilities via an ambulatory clinic in one of the buildings.

Being the parent Corporation, CEI's business activities are minimal at its level. The Corporation employs two technical personnel, a senior investments analyst and five administrative and accounting staff handling the Corporation's transactions and books including those of the property companies and non-operating subsidiaries. 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.

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.

a. Real Estate and Property Development

1. Crown Central Properties Corporation (CCPC)

The Company was incorporated on September 3, 1996 as a result of a joint venture agreement between CEI and Solid Share Holdings, Inc., an affiliate of a major banking group. In October 2003, the Company 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 the subdivision project. The agreement calls for a 60%-40% sharing in favor of CCPC. Marketing started in May 2004.

The subdivision, named Palma Real Residential Estates is strategically located near the boundary of Sta. Rosa and Binan, in the province of Laguna, a few meters away from exclusive schools such as Don Bosco, De La Salle University and St. Scholastica's College. Among middle class residential subdivisions, Palma Real is the nearest to these educational institutions, next to San Jose Village. Although competition is considered tight given the number of residential subdivisions within its five-kilometer radius, this project enjoys considerable advantage given its proximity to the schools, the industrial park, the booming commercial district in the area, and the planned access road from the Mamplasan exit of the South Luzon Expressway connecting to the Sta. Rosa highway.

The project obtained an Environmental Compliance Certificate from the Department of Environment and Natural Resources. A monetary penalty of Fifty Thousand Pesos (Php50,000.00) and/or suspension or cancellation of the certificate would result from non-compliance to the terms and conditions of the permit.

2. CEI Development Corporation (CEIDC)

The CEI Development Corp. was incorporated on July 10, 1996 primarily to acquire, develop and sell real estate properties. A wholly-owned subsidiary of the Company, CEIDC owns over 40 hectares of real estate property in Sto. Tomas, Batangas. Some properties are still in the process of titling.

The properties are located in Brgy. San Miguel, Sto. Tomas, Batangas, about 43 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.

3. CEI Properties, Inc. (CEIP)

Incorporated on July 10, 1996, CEIP was organized to invest in, purchase or acquire, own and

hold, use, sell or dispose property of every kind and description. CEIP owns over a hectare piece of land in Taguig City, Metro Manila after some of its properties were disposed of in a *dacion en pago* transaction with a local bank.

The Company has not started its commercial operation and has no significant business development during the last three years. The Company has also no intention to develop the properties within the next twelve months.

4. Parkfield Land Holdings Corp. (Parkfield)

Parkfield Land Holdings Corp., a 75%-owned subsidiary of CEI, was incorporated on April 11, 2001 primarily to acquire, develop, and sell real estate properties. The Company owns 92 hectares of land located in San Jose del Monte, Bulacan.

The Company has not started its commercial operations and has no significant business developments involving the properties. The Company is studying a joint venture for a low cost or medium cost housing development.

5. Ceres Property Venture, Inc. (CPVI)

The company was organized primarily to acquire, develop and sell real estate properties. It was incorporated in March 1999 and has not yet started commercial operations. CPVI is a wholly-owned subsidiary of Ceres Holdings, Inc., the latter being a 100%-owned subsidiary of CEI.

CPVI owns properties located in Taguig City, Metro Manila, covering a total area of almost two hectares which are intended to be developed into a commercial site. Titles to the properties are still in the process of being transferred to the name of the Company.

The Company has no significant business developments during the last three years and has no intention to develop the project within the next twelve months.

6. Sky Leisure Properties, Inc. (SLPI)

Sky Leisure Properties, Inc., a 50% owned associate of CEI, was incorporated on August 26, 1998 as a joint venture company between CEI and Perfect Sites, Inc. primarily to acquire, develop and sell real estate properties. SLPI owns land with a total area of 107 hectares near the Tagaytay Highlands in Tagaytay City, Cavite.

SLPI has not yet started its commercial operations and has no significant business developments during the last three years. It has also no intention to develop the project within the next twelve months.

b. Healthcare

1. Healthcare System of Asia Phils., Inc. (HSAPI)

Healthcare System of Asia, Phils., 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 costs. These clinics house state-of-the-art diagnostic and ambulatory treatment apparatus including the recent imaging techniques, modern laboratory equipment and with up-to-date cardio-pulmonary testing capabilities, contemporary day surgery, trauma and emergency care, and full-service consultation rooms. The clinics have in-house pharmacies with ample supply of medicines available to patients.

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 the level of professional service. Location and accessibility are also critical competitive factors.

The Fortmed Clinics have a group of competent doctors who are prominent in their respective fields of expertise. It boasts of a wide range of sophisticated diagnostic apparatus, including a CT scan and the latest 4-D ultrasound equipment. Fortmed-Makati is strategically located within the vicinity of Bel-Air village which is easily accessible to both residents and workers in the Makati business district, while Fortmed-Sta. Rosa is in Paseo de Sta. Rosa, a booming commercial district in the vicinity of Ayala Laguna Technopark – a light industrial park which is home to multinational companies producing light vehicles and computer components.

Fortmed-Makati enjoys a substantial share of the Makati residents and employees market. This is attributed to what Fortmed offers: state-of-the-art facilities, top caliber medical specialists and staff, and hassle-free service delivery system bereft of long queue that is common to hospitals. At present, Fortmed-Sta. Rosa has virtually no competitors at all given its accessibility from the various locators in the neighboring industrial estates. Its patients include Japanese expatriates and factory workers located within the industrial park.

The Clinics are accredited by the Department of Health (DOH) and such accreditation is renewed annually with a minimal fee. Environmental Compliance Certificate (ECC) issued to the clinics requires, among others, agreement with a waste management contractor to handle disposal and treatment of the Clinics' waste. Noncompliance with the ECC provisions will subject the Clinics to monetary penalties amounting to Fifty Thousand Pesos (Php50,000.00) per violation and/or suspension/cancellation of permit to operate. 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). For the pharmacies, annual license to operate is secured from the Bureau of Food and Drugs of the DOH.

The clinics employ at least 80 medical and administrative personnel composed of 51 medical/operations staff and 29 administrative and marketing employees. There is no existing Collective Bargaining Agreement between management and the employees. There are no supplemental benefits or incentive arrangements with the employees, aside from those provided by law.

2. Fort Bonifacio Medical Center, Inc. (FBMCI)

Fort Bonifacio Medical Center, Inc., a wholly owned subsidiary of Crown Equities, Inc., was incorporated on October 21, 1997. Currently, its primary business purpose is to provide medical and health care delivery services and systems in general. The company owns a parcel of land near Circumferential Road 5 in Brgy. Fort Bonifacio, Taguig, Metro Manila. Recently, FBMCI entered into a joint venture with DM Consunji, Inc. wherein the latter shall develop medium-rise residential condominium buildings on the 3,969 square meters property, with a provision for an ambulatory care clinic on one of its buildings. The joint venture has started construction of the first building of what is now known as The Cypress Towers.

The Company has not yet started commercial operations and has no significant business

developments during the last three years. However, it is anticipated to start realizing revenues in the next twelve months.

(E) Directors and Executive Officers

(a.) The incumbent directors and executive officers of the registrant are as follows:

Mr. George L. Go, 67 years old, Filipino, is presently the Chairman of the Board of Directors and President of the Company. He is a Director of the Company since 1995. Mr. Go is also the Chairman of the following companies: Healthcare Systems of Asia Philippines, Inc., Asian Alliance Holdings and Development Corp., Heidelberg Motors Corporation and GLG Crown Holdings, Corp.. Mr. Go is a Director of both Shang Properties, Inc. (formerly Kuok Philippine Properties Inc.) and Universal LRT Corporation. He held the foregoing positions within the last five years. Mr. Go earned a Bachelor of Arts in Economics degree from Youngstown University, U.S.A. and has completed an Advance Management Program from Harvard Business School, U.S.A.

Mr. Wilfrido V. Vergara, 64 years old, Filipino, is the Vice-Chairman of the Board of Directors of the Company since May 2002. He is likewise the Chairman of the Nomination Committee and of the Compensation and Remuneration Committee since 2003. He was formerly President and Chief Executive Officer and Director of Equitable PCI Bank and most of its subsidiaries from May 01, 1995 until his retirement in April 17, 2001. Mr. Vergara obtained his degree of Bachelor of Science in Economics from Ateneo de Manila University.

Mr. Ramon A. Recto, 76 years old, Filipino, is an independent director of the Company since May 2002. He is the Chairman of the Audit Committee and a member of both the Nomination Committee and the Compensation and Remuneration Committee since May 2003. Mr. Recto is currently the Chairman/President of CME Technologies, Inc. and the President of Supply Oilfield Services, Inc. and S.O.S. Transport and Brokerage, Inc.. He was formerly the President of Lepanto Consolidated Mining Corporation. Mr. Recto obtained a Bachelor of Science degree both in Electrical and in Mechanical Engineering from University of the Philippines. He also earned his Masters Degree in Industrial Management from the same university.

Mr. Victor C. Macalincag, 73 years old, Filipino, is an Independent Director of Crown Equities, Inc. since May 27, 2003. He currently holds directorship in Semirara Mining Corporation, Republic Glass Holdings Corp, Universal LRT Corp. and Finman General Assurance Corp. Mr. Macalincag was the President of Trade & Investment Development Corporation of the Philippines presently known as PHILEXIM (formerly PhilGuarantee) from 1991 until his resignation in 2001. He was Deputy Minister of Finance from 1981 to 1986 and Undersecretary of Finance from 1986 to 1991. He concurrently held the position of National Treasurer from 1981 to 1988. Other positions he held until year 2001 were as follows: Director of Home Guaranty Corporation and Philippine Overseas Construction Board; Executive Committee Member of the Export Industry Modernization of the Technology and Livelihood Resource Center, Review Committee Member of Industrial Guarantee and Loan Fund; and Executive Committee Member of the Industry Development Council. He was also a director of Philippine Long Distance Telephone Co. (PLDT) from 1988 to 1995 and National Power Corporation from 1978 to 1986. Mr. Macalincag is a Certified Public Accountant. He has a Bachelor of Science degree in Business Administration from University of the East. He has completed the academic requirements for Master of Arts in Economics also from the same university.

Mr. Antonio B. Alvarez, 65 years old, Filipino, is a member of the Board of Directors since 1995 and the Treasurer of the Company since 1997. He is also a member of the Nomination Committee and of the Compensation and Remuneration Committee since May 2003. Mr. Alvarez is the President of Guild Securities, Inc.. He is also a member of the Board of Directors of Healthcare Systems of Asia Phils., Inc.. He held the foregoing positions within the last five years. Mr. Alvarez was formerly the Executive Vice President of Securities Specialists, Inc. He graduated with a degree of Bachelor of Science in Commerce major in Accounting from the Far Eastern University.

Mr. Andres N. Borja, 65 years old, Filipino, is a member of the Board of Directors of Crown Equities, Inc. since May 27, 2003. He is a member of the Nomination Committee, Compensation and Remuneration Committee and also the Audit Committee. Mr. Borja is currently the President and Director of the following companies: Crown Central Properties Corp., CEI Development Corporation, Manros Properties, Inc. and Jadeite Properties, Inc. He held the foregoing positions within the last five years. He was formerly the President and director of Arbor Realty and Development Corp., Almaciga Realty and Development Corp., Mark Securities, Inc. and Cedar Realty and Development Corporation. Mr. Borja earned his Bachelor of Science degree in Political History from Ateneo de Manila University and has an Institute of Banking Diploma from City of London College.

Mr. Conrado G. Marty, 63 years old, Filipino, is a member of the Board of Directors of Crown Equities, Inc.. He is the President of Universal LMS Finance and Leasing Corp. and Luxor Properties and Development Corporation. He is likewise the President of Hyundai Asia Resources, Inc. and the President of Value Plus Rentals Corp.. He held the foregoing positions within the last five years. Mr. Marty holds a degree in Bachelor in Business Administration major in Accounting, *cum laude*, from University of the East and likewise earned his Master's Degree in Business Administration from Wharton School, University of Pennsylvania.

Mr. Edilberto V. Javier, 62 years old, Filipino, is a member of the Board of Directors of the Company since October 2001. He is a member of the Nomination Committee and of the Compensation and Remuneration Committee since May 2003. He is the Chairman of EVJ Holdings, Inc. and a member of the Board of Directors of the following companies: GE Money Bank, Healthcare Systems of Asia Philippines, Inc., Philippine Hoteliers, Inc. (Dusit Hotel), DTV Realty Development, Inc., and Sedgewick Holdings, Inc.. He held the foregoing positions within the last five years. He was formerly Senior Executive Vice President and Chief Operating Officer of Equitable PCI Bank and a director/officer of most of its subsidiaries from 1995 until his resignation in 2001. Mr. Javier earned a Bachelor of Arts degree in Economics from the Ateneo de Manila University.

Mr. Isidro A. Consunji, 60 years old, Filipino, is a member of the Board of Directors of D.M. Consunji Inc. (DMCI), Semirara Mining Corporation, Crown Equities, Inc.. He is the Chairman of the Board of DMCI Project Developers Inc., and President of DMCI Holdings Inc., Dacon Corporation, Beta Electric Electric Corp.. He held the foregoing positions within the last five years. Mr. Consunji was born in Manila on January 15, 1949 with three children. He graduated from the University of the Philippines where he earned a degree in Bachelor of Science in Engineering. He also took up Master of Business Economics from the Center for Research & Communication and Master of Business Management from the Asian Institute of Management. He became the President of Philippine Constructors Association from 1999 – 2000 & Philippine Chamber of Coal Mines, Inc. (may 1999 – January 2002). Mr. Sid Consunji is an active member of the U.P. Beta Epsilon Fraternity, Asian Institute of Management Alumni Association, U.P. Alumni Engineers, and U.P. Aces Alumni Association.

Mr. Jerry C. Angping, 54 years old, Filipino, is a member of the Board of Directors of Crown Equities, Inc. since 1995. He is also a member of the Audit Committee since May 2003. Mr. Angping is currently the Chairman of Peaksun Enterprises & Export Corp and President of Geograce Resources Philippines, Inc.. He is also the Vice Chairman of STI Education Systems Inc and Member of the Board of Ni Hao Mineral Resources Internal, inc. and Music Corporation. Mr. Angping earned his Masters Degree in Business Administration from the Harvard Business School.

Mr. Patrick D. Go, 41 years old, Filipino, has been a Director of Crown Equities, Inc. since 1995 and the Compliance Officer since 2008. Mr. Go is also Vice President at Banco de Oro Universal Bank. He held the foregoing positions within the last five years. He was Managing Director of Armstrong Securities Inc. from 1996 to 2001. He graduated with Bachelor of Science degree in

Finance and Real Estate from San Francisco State University, U.S.A. in 1992. He is the son of Mr. George L. Go.

Mr. Eugene B. Macalalag, 41 years old, Filipino, is a member of the Board of Directors of Crown Equities, Inc. since May 2003. He is the Corporation's Vice President for Finance and Administration. Mr. Macalalag is also a member of the Boards of Directors of Healthcare Systems of Asia Philippines, Inc. and Crown Central Properties Corporation. He held the foregoing positions within the last five years. He joined Crown Equities in April 1996 and has since served several positions. Prior to joining Crown Equities, Mr. Macalalag was an officer of the Far East Bank and Trust Company's investment banking group. Mr. Macalalag earned his Master's degree in Business Administration from the De La Salle University, Manila.

Mr. David O. Chua, 41 years old, Filipino, is a member of the Board of Directors of Crown Equities, Inc 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 Philippine Stock Exchange, Philippine Savings Bank, Federation of the Filipino Chinese Chambers of Commerce and Industry Inc., Hardware Foundation of the Phils., and Galleria Corporate Center Condominium Corp.. He is a Trustee of University of the East and University of the East Ramon Magsaysay Memorial Medical Center. He held the foregoing positions within the last five years. He was the Chairman of 2008 National Employer's Conference, Employers Confederation of the Philippines and Chairman of the Philippine Institute of Quezon City. Mr. Chua is the President of the Philippine Steelmakers Association and Kellogg/Northwestern University Alumni Association of the Philippines.

Mr. Romuald U. Dy Tang,* 57 years old, Filipino, is a member of the Board of Director of Crown Equities, Inc. in 2008. He is a Director of DTV Realty & Development, Inc., Kok Tay Trading Corporation and Sedgewick Holdings, Inc. He held the foregoing positions within the last five years. He was Executive Vice President and Treasurer of Equitable PCI Bank and also Director of various subsidiaries of Equitable PCI Bank. Mr. Dy Tang earned his Bachelor of Science in Business Administration major in Management from De La Salle University, Manila.

Mr. Oscar P. Lopez-Dee** 60 years old, Filipino, is a member of the Board of Directors of the Company. He was the President of the Company from October 2002 to April 2003. He was formerly an Executive Vice President of Equitable PCI Bank and a director of most of its subsidiaries from 1999 to 2001. Mr. Lopez Dee obtained his degree of Bachelor of Science in Economics from the Ateneo de Manila University.

**Mr. Dy-Tang was appointed to the Board in July 2008*

***Mr. Lopez-Dee passed away on December 23, 2008.*

(b.) Significant Employees

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

(c.) Family Relationships

Except for Mr. Patrick D. Go, who is the son of Mr. George L. Go, no other directors and executive officers are presently related either by consanguinity or affinity.

(d.) Involvement in Certain Legal Proceedings

The Company 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 past 5 years up to the date of this report.

(e.) Certain Relationships and Related Transactions

During the last two years, there were no transactions or series of similar transactions with or involving the Company 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.

(f.) The registrant has no controlling or parent company.

(F) Market Price and Dividends

(a) Market Price

The registrant's shares are traded only in the Philippine Stock Exchange, Inc. 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 prices for the registrant's shares are as follows:

		HIGH	LOW
2008	October - December	0.0600	0.0170
	July - September	0.0825	0.0500
	April - June	0.0875	0.0500
	January - March	0.0850	0.0600
2007	October - December	0.0720	0.0550
	July - September	0.0860	0.0580
	April - June	0.0850	0.0460
	January - March	0.0540	0.0410

For the period January 1, 2009 through March 31, 2009 the shares recorded a high price of Php0.0380 per share and a low of Php0.0280 per share. The closing market price per share as of May 15, 2009 was Php0.0400.

(b) Holders

There were 558 shareholders as of April 30, 2009, including PCD nominees, majority of whom are Filipinos. The top 20 stockholders on record as of April 30, 2009 are as follows:

	<u>Name of Shareholder</u>	<u>Number of Shares</u>	<u>Pct. To Total</u>
1	PCD – Guild Securities, Inc. (Filipino)	3,039,954,264	22.35%
2	Guild Securities Inc. (Filipino)	2,935,984,888	21.59%
3	PCD – Marian Securities, Inc. (Filipino)	1,031,616,000	7.58%
4	PCD – BDO Securities Corp.	940,444,976	6.91%
5	First Orient Securities Inc. (Filipino)	706,727,592	5.20%
6	PCD – Asiasec Equities, Inc. (Filipino)	576,260,000	4.24%
7	PCD – PCIB Securities, Inc.	269,882,400	1.98%
8	Marie Louise Y. Tong (Filipino)	223,550,000	1.64%
8	Robin Y. Tong (Filipino)	223,550,000	1.64%
8	Wellington Y. Tong (Filipino)	223,550,000	1.64%

9	PCD – Angping & Associates Securities, Inc. (Filipino)	157,203,464	1.16%
10	PCD – Cualoping Securities Corp (Filipino)	147,402,400	1.08%
11	PCD – Premium Securities, Inc.	144,952,000	1.07%
12	Patrick D. Go (Filipino)	136,008,000	1.00%
13	PCD – MDR Securities, Inc. (Non-Filipino)	124,000,000	0.91%
14	PCD – Solar Securities, Inc. (Non-Filipino)	120,000,000	0.88%
15	PCD- MDR Securities, Inc. (Filipino)	104,248,000	0.77%
16	PCD - First Orient Securities Inc. (Filipino)	97,102,832	0.72%
17	Rene Daniel S. Rieza (Filipino)	80,000,000	0.58%
18	PCD – David Go Securities Inc (Filipino)	69,500,000	0.51%
19	PCD – Solar Securities Inc (Filipino)	68,896,000	0.51%
20	PCD – Quality Investments & Securities Corp.	68,060,000	0.50%

(c) Dividends

No dividends have been declared on common shares for the last two years.

There is no restriction that limits the ability of the Corporation to pay dividends on common equity and no such restriction is expected to arise in the future.

Undertaking to Provide Annual Report

The Corporation undertakes to provide, without charge, each stockholder a copy of the Corporation's Annual Report on SEC Form 17-A upon written request to the Corporation addressed to:

**ATTY. ELMER B. SERRANO
Corporate Secretary
12/F Equitable Bank Tower
8751 Paseo de Roxas, Makati City**

At the discretion of the Corporation, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the Corporation in furnishing such exhibits.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CROWN EQUITIES INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS**

The management of CROWN EQUITIES INC. is responsible for all information and representations contained in the CONSOLIDATED FINANCIAL STATEMENT OF CROWN EQUITIES INC. AND SUBSIDIARIES for the years ended December 31, 2008 and 2007. The Consolidated Financial Statements have been prepared in conformity with financial reporting standards in the Philippines/Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to Crown Equities Inc.'s audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the Consolidated Financial Statements before such statements are approved and submitted to the stockholders of the company.

PUNONGBAYAN & ARAULLO, the independent auditors appointed by the stockholders, has examined the Consolidated Financial Statements of CROWN EQUITIES INC. and SUBSIDIARIES in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.


GEORGE L. GO
Chairman of the Board of Directors


EUGENE B. MACALALAG
Vice President-Finance and Admin.

SUBSCRIBED AND SWORN to before me this APR 16 2009, affiants exhibiting to me their Tax Identification Numbers as follows:


NAMES

George L. Go
Eugene B. Macalalag

TIN

100-929-738
117-667-674

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Page. No. 50
Book No. I
Series of 2009


MARK VINCENT Z. ESCALONA
Bar No. 13 (2009-2010)
Public for Pasig City
until December 31, 2010
Attorneys Roll No. 52441
Suite 2401 The Orient Square,
Ortigas Jr. Road, Ortigas Center Pasig City
PTR No. 5101029-1-0000; Pasig City
IBP Roll No. 768788; JG6.09; RSM

COVER SHEET

CROWN EQUITIES, INC.

(Company's Full Name)

**12th Floor, Equitable Bank Tower
8751 Paseo de Roxas, Makati City**

Company's Address: No./Street/City/Town/Province

886-0157 to 58

Company's Telephone Number

December 31

**Calendar Year Ending
(Month & Day)**

(Annual Meeting)

Annual Audited Financial Statements

Form Type

Amended Designation (If Applicable)

N/A

Secondary License Type and File Number

LCU

Cashier

DTU

A1996-38745

S.E.C. Registration No.

Central Receiving Unit

File Number

Document I.D.

Report of Independent Auditors

The Board of Directors and the Stockholders Crown Equities, Inc. and Subsidiaries

12th Floor, Equitable Bank Tower
8751 Paseo de Roxas, Makati City

We have audited the accompanying consolidated financial statements of Crown Equities, Inc. and subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended December 31, 2008, and notes to consolidated financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2008 and 2007, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

As more fully discussed in Note 1 to the consolidated financial statements, as of December 31, 2008 and 2007, the Group has investments in and advances to associates. Most of these associates are still in their pre-operating stages and have incurred substantial amounts of pre-operating expenses resulting to significant deficits. While impairment losses have been recognized by the Group on such investments and advances, the recoverability of the remaining carrying values of the investments and advances is dependent upon the ability of these entities to successfully implement their projects and, ultimately, to attain profitable operations. The consolidated financial statements do not include any additional adjustments to reflect the possible future effects on the recoverability and classification of the assets or the amounts and classification of the liabilities that may result from the outcome of this uncertainty.

PUNONGBAYAN & ARAULLO



By: Benjamin P. Valdez
Partner
CPA Reg. No. 0028485
TIN 136-619-880
PTR No. 1566055, January 5, 2009, Makati City
SEC Accreditation No. 0009-AR-2
BIR AN 08-002511-11-2008 (Nov. 25, 2008 to 2011)

March 31, 2009

CROWN EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2008</u>		<u>2007</u>
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash and cash equivalents	6	P 211,448,536	P	276,800,230
Financial assets at fair value through profit or loss	7	8,710,098		11,716,407
Installment contracts receivable	18	38,950,397		15,004,782
Receivables and advances - net	8	45,817,373		36,435,742
Inventories	9	298,129,384		238,644,200
Other current assets	18	11,667,022		5,926,387
Total Current Assets		<u>614,722,810</u>		<u>584,527,748</u>
NON-CURRENT ASSETS				
Installment contracts receivable	18	39,884,868		45,681,728
Investments in and advances to associates - net	10	330,396,702		439,922,936
Investment properties - net	11	767,192,711		729,833,183
Property and equipment - net	12	84,485,281		7,592,101
Goodwill	10	21,740,604		-
Other non-current assets	13	35,895,563		26,884,014
Total Non-current Assets		<u>1,279,595,729</u>		<u>1,249,913,962</u>
TOTAL ASSETS		<u>P 1,894,318,539</u>	P	<u>1,834,441,710</u>
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable and other liabilities	14	P 129,021,124	P	70,334,645
Due to a related party	17	80,153,569		91,153,569
Subscription payable	15	42,158,700		42,158,700
Total Current Liabilities		251,333,393		203,646,914
NON-CURRENT LIABILITY				
Retirement benefit obligation	21	2,948,259		1,209,958
Total Liabilities		<u>254,281,652</u>		<u>204,856,872</u>
EQUITY				
Attributable to parent company shareholders	16	1,497,767,591		1,492,778,612
Attributable minority interest		142,269,296		136,806,226
Total Equity		<u>1,640,036,887</u>		<u>1,629,584,838</u>
TOTAL LIABILITIES AND EQUITY		<u>P 1,894,318,539</u>	P	<u>1,834,441,710</u>

See Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
REVENUES				
Real estate sales	18	P 78,860,497	P 32,719,997	P 36,699,192
Interest income	6, 18	13,738,959	13,453,740	29,177,285
Gain (loss) from trading securities	7	(239,468)	12,601,730	6,312,884
		92,359,988	58,775,467	72,189,361
OTHER INCOME				
Reversal of allowance for decline in value of investment property		7,270,500	6,685,246	5,645,340
Others	19	12,002,402	27,366,950	25,043,337
		111,632,890	92,827,663	102,878,038
GROSS INCOME				
OPERATING EXPENSES				
Cost of real estate sales	9	45,819,968	26,739,985	21,638,745
Decline in value of financial assets	7	8,450,967	304,464	157,050
Impairment loss on advances to a subsidiary	10	6,282,869	-	945,155
Equity in net loss of an associate		5,833,770	-	-
Commission	18	5,777,912	1,503,907	3,004,250
Professional fees		5,566,264	2,642,731	2,012,999
Employee benefits	21	4,169,698	3,979,644	3,718,455
Depreciation and amortization	12	2,441,923	2,089,303	1,890,552
Meetings and seminars		1,685,507	1,360,170	811,146
Rental	24	1,635,793	1,349,830	1,120,970
Taxes and licenses		520,245	2,501,217	821,898
Other operating expenses	20	7,954,447	15,457,886	20,469,089
		96,139,363	57,929,137	56,590,309
		15,493,527	34,898,526	46,287,729
INCOME BEFORE TAX				
TAX EXPENSE	22	5,859,566	4,454,053	5,726,333
NET INCOME				
		P 9,633,961	P 30,444,473	P 40,561,396
Attributable to:				
Parent company shareholders		P 4,988,979	P 30,724,985	P 34,508,856
Minority interest		4,644,982	(280,512)	6,052,540
		P 9,633,961	P 30,444,473	P 40,561,396
Basic/Diluted Earnings Per Share				
	23	P 0.00037	P 0.00226	P 0.00254

See Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	<u>Note</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS				
CAPITAL STOCK				
Amount of common shares				
Par value - P0.10 per share in 2008 and 2007; P1.00 in 2006				
Authorized		P 2,400,000,000	P 2,400,000,000	P 3,000,000,000
Subscribed capital stock				
Balance at beginning of year		1,359,999,996	1,699,999,995	1,699,999,995
Reduction of deficit through capital restructuring	16	<u>-</u>	<u>(339,999,999)</u>	<u>-</u>
Balance at end of year		1,359,999,996	1,359,999,996	1,699,999,995
Subscriptions receivable		<u>(29,853,180)</u>	<u>(29,853,180)</u>	<u>(29,853,180)</u>
		<u>1,330,146,816</u>	<u>1,330,146,816</u>	<u>1,670,146,815</u>
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		118,570,274	407,269,879	407,269,879
Reduction of deficit through capital restructuring	16	<u>-</u>	<u>(288,699,605)</u>	<u>-</u>
Balance at end of year		<u>118,570,274</u>	<u>118,570,274</u>	<u>407,269,879</u>
RETAINED EARNINGS (DEFICIT)				
Balance at beginning of year		44,061,522	<u>(615,363,067)</u>	<u>(649,871,923)</u>
Reduction of deficit through capital restructuring	16	<u>-</u>	628,699,604	<u>-</u>
Net income		<u>4,988,979</u>	<u>30,724,985</u>	<u>34,508,856</u>
Balance at end of year		<u>49,050,501</u>	<u>44,061,522</u>	<u>(615,363,067)</u>
Total Equity Attributable to Parent Company Shareholders		<u>1,497,767,591</u>	<u>1,492,778,612</u>	<u>1,462,053,627</u>
MINORITY INTEREST				
Balance at beginning of year		136,806,226	137,086,738	131,034,198
Minority interest of acquired subsidiary during the year		<u>(4,181,913)</u>	<u>-</u>	<u>-</u>
Minority interest's additional capital stock		5,000,000	<u>-</u>	<u>-</u>
Share in net income		<u>4,644,982</u>	<u>(280,512)</u>	<u>6,052,540</u>
Balance at end of year		<u>142,269,295</u>	<u>136,806,226</u>	<u>137,086,738</u>
TOTAL EQUITY		<u>P 1,640,036,886</u>	<u>P 1,629,584,838</u>	<u>P 1,599,140,365</u>

See Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

	Notes	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P	15,493,527	P 34,898,526	P 46,287,729
Adjustments for:				
Interest income	6	(13,738,959)	(13,453,740)	(29,177,285)
Decline in value of financial assets	7	8,450,967	304,464	157,050
Reversal of allowance for decline in value of investment property		(7,270,500)	(6,685,246)	(5,645,340)
Impairment loss on advances to a subsidiary	10	6,282,869	-	945,155
Equity in net loss of an associate	10	5,833,770		
Depreciation and amortization	12	2,441,923	2,089,303	1,890,552
Unrealized foreign exchange loss		(719,211)	844,054	84,936
Gain on sale of property and equipment		(214,286)	-	-
Gain on disposal of investment	19	-	(26,200,000)	-
Operating income (loss) before working capital changes		16,560,100	(8,202,639)	14,542,797
Decrease (increase) in receivables and advances		(6,656,106)	4,175,151	285,231,835
Decrease in inventories		35,909,210	26,739,984	21,638,748
Decrease (increase) in other current assets		(4,690,623)	5,469,543	(7,469,932)
Decrease (increase) installment contracts receivable		(18,148,755)	(12,468,975)	5,564,472
Increase in other non-current assets		(7,638,668)	(11,265,674)	(5,234,293)
Increase (decrease) in accounts payable and other liabilities		43,852,609	(20,946,041)	(5,347,838)
Increase in retirement benefit obligation		1,738,301	249,756	238,734
Cash generated from (used in) operations		60,926,068	(16,248,895)	309,164,523
Cash paid for income taxes		(2,214,937)	(4,454,053)	(3,008,593)
Net Cash From (Used in) Operating Activities		<u>58,711,131</u>	<u>(20,702,948)</u>	<u>306,155,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in financial assets at fair value through profit or loss		(5,444,658)	2,132,262	(13,714,450)
Decrease (increase) in investments in and advances to associates		(55,500)	28,458,617	(1,653,485)
Acquisitions of property and equipment - net of disposal		(59,174,273)	(3,704,540)	(2,308,224)
Acquisitions of investment properties - net of disposal		(67,846,564)	(61,812,470)	2,056,325
Interest received		13,738,959	10,814,075	29,177,285
Net Cash Used in Investing Activities		<u>(118,782,036)</u>	<u>(24,112,056)</u>	<u>13,557,451</u>
CASH FLOWS USED IN FINANCING ACTIVITIES				
Repayments of due to a related party	17	(11,000,000)	(14,341,120)	(18,500,001)
Proceeds from issuance of capital stock to minority interest		5,000,000	-	-
Net Cash Used in Financing Activities		<u>(6,000,000)</u>	<u>(14,341,120)</u>	<u>(18,500,001)</u>
EFFECT OF FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS				
		<u>719,211</u>	<u>(844,054)</u>	<u>(84,936)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		<u>(65,351,694)</u>	<u>(60,000,178)</u>	<u>301,128,444</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		<u>276,800,230</u>	<u>336,800,408</u>	<u>35,671,964</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	P	<u>211,448,536</u>	P <u>276,800,230</u>	P <u>336,800,408</u>

See Notes to Consolidated Financial Statements.

CROWN EQUITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008, 2007 AND 2006
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.1 Incorporation and Nature of Business

Crown Equities, Inc. (the Parent Company) was incorporated in the Philippines in October 1969. The Parent Company's primary business activity is investment holding.

The Parent Company's registered office, which is also its principal place of business is located at 12th Floor, Equitable Bank Tower, 8751 Paseo de Roxas, Makati City.

The Parent Company and its subsidiaries (the Group) operate within the Philippines and are mainly involved in investment holding, real estate business and healthcare services.

1.2 Equity Investments

As of December 31, 2008, the Parent Company holds interests in the following companies:

	<u>Explanatory Notes</u>	<u>Percentage of Ownership</u>
<u>Subsidiaries:</u>		
CEI Development Corp. (CEIDC)	(a)	100
CEI Properties, Inc. (CEIPI)	(a)	100
Ceres Holdings, Inc. (CHI)	(a)	100
Ceres Property Venture, Inc. (CPVI)	(a), (b)	100
Fort Bonifacio Medical Center, Inc. (FBMCI)	(a)	100
Parkfield Land Holdings, Inc. (PLHI)	(a)	75
Healthcare Systems of Asia Phils., Inc. (HSAPI)	(c)	74
Fortmed Medical Clinics Makati, Inc. (FMCMI)	(b)	74
Fortmed Medical Clinics Sta. Rosa, Inc. (FMCSRI)	(b)	74
HCS Medical Care Center Cavite, Inc. (HMCCCI)	(b)	74
Crown Central Properties, Corp. (CCPC)		48
<u>Associates:</u>		
Sky Leisure Properties, Inc. (SLPI)	(a)	50
e*Hermes, Inc. (e*Hermes)	(a)	40
Asian Alliance Holdings and Development Corporation (AAHDC)		23

(a) Has not yet started operations

(b) Represents indirect ownership

(c) On April 3, 2008, HSAPI made a capital call to its shareholders on record as of March 18, 2008 for an additional capital to be used for capital and operating expenses. On December 24, 2008, the Company subscribed to 317,078,766 HSAPI shares at P0.10 per share or a total amount of P31,707,876, resulting to the increase of the Company's ownership from 47% in 2007 to 74% (see Note 10).

1.3 Status of Operations of Investees

Most of the Parent Company's subsidiaries and associates are still in their pre-operating stages. These entities hold substantial investment properties and have incurred substantial amount of pre-operating expenses which resulted in significant deficit. While impairment losses have been recognized by the Group on such investment properties (see Note 11) and on investments in and advances to related parties (see Note 10), the recoverability of the remaining carrying values of these accounts is dependent upon the ability of the respective entities to successfully execute and implement their projects and, ultimately, to attain profitable operations. The consolidated financial statements do not include any additional adjustments to reflect the possible future effects on the recoverability and classification of the assets or the amounts and classification of the liabilities that may result from the outcome of this uncertainty.

1.4 Approval of Financial Statements

The consolidated financial statements of the Group for the year ended December 31, 2008 (including the comparatives for the year ended December 31, 2007) were authorized for issue by the Board of Directors (BOD) on March 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards (PFRS)

The financial statements of the Group have been prepared in accordance with PFRS. PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. The measurement bases are more fully described in the accounting policies that follow.

Certain reclassifications in the 2007 financial statement accounts were made to conform to the current year presentation.

(b) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated (see also Note 2.15).

2.2 *Impact of Amendments and Interpretations to Existing Standards*

(a) *Effective in 2008 that are Relevant to the Group*

In 2008, the Group adopted for the first time the amended standards on PAS 39 *Financial Instrument: Recognition and Measurement* and PFRS 7 *Financial Instrument Amendments* which are effective from July 1, 2008. The amendments permit an entity to:

- Reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of fair value through profit or loss category in particular circumstances; and
- Transfer from the available for sale category to the loans and receivable category those financial assets that would have met the definition of loans and receivables, provided that the entity has the intention and the ability to hold those financial assets for the foreseeable future.

The amendments are applicable in a partially retrospective manner up to July 1, 2008 provided that the reclassification was made on or before November 15, 2008, the cut-off date set by the FRSC. After the cut-off date, all reclassifications will only take effect prospectively. The Group did not exercise the option to reclassify its financial assets; hence, it determined that the adoption of these amendments has no impact on the 2008 financial statements.

The first time application of these interpretation and amendments has not resulted in any prior period adjustments of balance sheet, net income or cash flows line items.

(b) *Effective in 2008 but not Relevant to the Group*

The following interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group's operations:

Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC)11	:	Group and Treasury Share Transactions
Philippine Interpretation IFRIC 12	:	Service Concession Arrangements
Philippine Interpretation IFRIC14	:	PAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

(c) *Effective Subsequent to 2008*

There are new and amended standards that are effective for periods subsequent to 2008. The following new standards, effective for annual periods beginning on or after January 1, 2009, are relevant to the Group which the Group will apply in accordance with their transitional provisions.

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial
PAS 1 (Revised 2007)	:	Presentation of Financial Statements Statements
PFRS 1 and PAS 27 (Amendments)	:	PFRS 1 - First-Time Adoption of PFRS and PAS 27- Consolidated and Separate Financial Statements
PFRS 3 (Revised 2008)	:	Business Combinations
PFRS 8	:	Operating Segments
Various Standards	:	2008 Annual Improvements to PFRS

Below is a discussion of the possible impact of these accounting standards.

- (i) PAS 1 (Revised 2007), *Presentation of Financial Statements* (effective from January 1, 2009). The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement. The Group will apply PAS 1 (Revised 2007) in its 2009 financial statements.
- (ii) PAS 27 (Revised), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply this revised standard prospectively from January 1, 2010 to transaction with non-controlling interests.

- (iii) PFRS 3 (Revised), *Business Combinations* (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply PFRS 3 (Revised) prospectively to all business combinations from January 1, 2010.
- (iv) PFRS 8, *Operating Segments*, (effective from January 1, 2009). Under this new standard, a reportable operating segment is identified based on the information about the components of the entity that management uses to make decisions about operating matters. In addition, segment assets, liabilities and performance, as well as certain disclosures, are to be measured and presented based on the internal reports prepared for and reviewed by the chief decision makers. The Group identifies operating segments and reports on segment assets, liabilities and performance based on internal management reports therefore, adoption of this new standard will not have a material impact on the Group's financial statements.
- (v) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to International Financial Reporting Standards 2008*. These amendments become effective in the Philippines in annual periods beginning on or after January 1, 2009. The Group expects the amendments to the following standards to be relevant to the Group's accounting policies:
- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39 are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied. Presently, all held for trading financial assets of the Group are classified as current assets under PAS 1, hence, this amendment will have no impact in the Group's 2009 financial statements.
 - PAS 19 (Amendment), *Employee Benefits*. The amendment includes the following:
 - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.
 - Change in the definition of return of plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
 - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

- Removal of the reference to recognition in relation to contingent liabilities in order to be consistent with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires contingent liabilities to be disclosed and not recognized.

The Group's management assessed that this amendment to PAS 19 will have no impact on its 2009 financial statements.

- PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement*. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was changed. A financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Group initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.
- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. At such time, the entity would be able to measure the investment property at fair value.
- PAS 27 (Amendment), *Consolidated and Separate Financial Statement*. When an entity prepares separate financial statements and accounts for investments in subsidiaries, jointly controlled entities and associates in accordance with PAS 39 (rather than at cost), such investments will continue to be measured using PAS 39 even if classified as held for sale in accordance with PFRS 5. Investment measured at cost will continue to be re-measured in accordance with PFRS 5 when classified as held for sale. The Group initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.
- PAS 28 (Amendment), *Investments in Associates*. Where an investment in associate is accounted for in accordance with PAS 39, only certain rather than all disclosure requirements in PAS 28 need to be made in addition to disclosures required by PAS 32 and PFRS 7. The Group initially determined that adoption of this amendment will not have a material effect on its 2009 financial statements.
- PAS 31, *Interests in Joint Ventures*. Where an investment in joint venture is accounted for in accordance with PAS 39, only certain rather than all disclosure requirements in PAS 31 need to be made in addition to disclosures required by PAS 32 and PFRS 7. The Group's application of this amendment will result in revisions in the relevant disclosures for interest in joint venture measured at fair value under PAS 39.

- PAS 36 (Amendment), *Impairment of Assets*. Where fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Group will apply this amendment in its 2009 financial statements.
- PFRS 5 (Amendment), *Non-current Assets Held-for-Sale and Discontinued Operations*. The amendment clarifies that all the assets and liabilities of a subsidiary should be classified as held for sale if the entity is committed to a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply this amendment prospectively to all partial disposals of subsidiaries from January 1, 2009.

Minor amendments are made to several other standards; however, those amendments are not expected to have a material impact on the Group's financial statements.

2.3 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 material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment is recognized in the consolidated financial statements

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Group accounts for its investments in subsidiaries, associates, and minority interest as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights.

Subsidiaries are consolidated from the date the Parent Company obtains control until such time that such control ceases.

Acquired subsidiaries are subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill (positive) represents the excess of acquisition cost over the Group's share in the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Negative goodwill represents the excess of Group's share in the fair value of identifiable net assets of the subsidiary at date of acquisition over acquisition cost (see also Note 2.14).

(b) Transactions with Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of equity investments to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of equity shares from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary.

Minority interests represent the interests not held by the Group in HSAPI, PLHI and CCPC in 2008, 2007 and 2006.

2.4 Financial Assets

The Group's financial assets include cash and other financial instruments. The Group classified its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Except for financial assets at fair value through profit or loss, the designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement.

Currently, the Group's financial assets include cash and cash equivalents, financial assets at fair value through profit or loss and loans and receivables (consisting of Receivables and Advances and Installment Contracts Receivable).

The foregoing categories of financial instrument are fully described below:

(a) Financial Assets at Fair Value Through Profit or Loss. This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the balance sheet date.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets originally designated as financial assets at fair value through profit or loss may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

- (b) *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Interest in Joint Venture

The Group entered into joint ventures for the development of certain properties which arose to the Group's real estate operations. In respect of the Group's interest in the joint venture, the Group recognizes in its consolidated financial statements:

- (a) its share of the assets in the joint venture, classified according to the nature of the assets;
- (b) any liabilities the Group has incurred;
- (c) its share of any liabilities incurred jointly with the other venturer in relation to the joint venture;
- (d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- (e) any expense which it has incurred in respect of its interest in the joint venture.

The Group records its share in the revenue and cost of the joint venture following the accounting policies of the Parent Company, FBMCI, and CCPC.

2.6 Inventories

- (a) *Saleable lots* – This pertains to the remaining balance of the land and improvements which CCPC, a subsidiary, contributed to a joint venture with a third party. The joint venture is engaged in developing and marketing a real estate project. CCPC used the cost of land contributed to the joint venture as cost of the inventory divided by the total square meters of the CCPC's share in lots.
- (b) *Saleable condominium units and parking slots* – This pertains to the share in the joint venture allocated by DM Consunji, Inc. (DMCI) to the Parent Company in respect of the joint venture agreement. 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.
- (c) *Medical supplies* – This pertains to the medical, laboratory and pharmacy supplies of FMCMI and FMCSRI. Costs represents purchase price determined using first-in, first-out method.

At the balance sheet date, these are valued at the lower of cost and net realizable value. Net realizable value 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.

2.7 Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. 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 impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Medical equipment	5-7 years
Transportation equipment	5 years
Office equipment, furniture and fixtures	3-5 years

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

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 consolidated balance sheet 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 the consolidated income statement in the year the item is derecognized.

2.8 Investment Property

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title to the property to the Group, are charged to the Investment Property account in the consolidated balance sheet. Investment Property is accounted for using the cost model. Impairment loss is provided when there is an objective evidence that the cost will not be recovered (see Note 2.16).

2.9 Financial Liabilities

Financial liabilities include accounts payable and other liabilities, due to a related party and subscription payable.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the consolidated income statement under Other Operating Expenses account.

Financial liabilities are recognized initially at their nominal value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the consolidated balance sheet only when the obligations are extinguished either through settlement, cancellation or expiration.

2.10 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the consolidated balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

2.11 Equity

Capital stock is determined using the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Retained earnings (deficit) includes all current and prior period results of operations as disclosed in the consolidated income statement.

2.12 Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- (a) *Real estate sales* - Revenue is recognized using the full accrual method. Under this method, sale is recognized upon collection of 25% of the total contract price.

If the criterion under the full accrual method is not met, the deposit method is applied. Under this method, cash received from buyers are shown as Customers' Deposits included in accounts payable and other liabilities in the balance sheets.

For tax reporting purposes, the Company uses the installment method wherein the gross profit on the installment payments actually received during the taxable year is subjected to income tax except for accounts wherein collections have reached 25% of the total selling price in the year of sale, in which case, the sale would be taxable in full.

- (b) *Interest* – Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).
- (c) *Gain on sale of assets* – Gain on sale of assets is recognized when the risk and rewards of ownership of the goods have passed to the buyer. It is measured as the excess of the fair value of consideration received or receivable over the carrying value of the asset sold.
- (d) *Dividends* – Revenue is recognized when the Group's right to receive the payment is established.

Cost and expenses are recognized in the consolidated income statement upon utilization of the service or at the date these are incurred.

2.13 Leases

(a) 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 expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the income statement on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.14 Business Combination

Business acquisitions are accounted for using the purchase method of accounting.

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 (see Note 2.16).

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 charged directly to income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

2.15 Functional Currency and Foreign Currency Transactions

(a) Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency.

(b) *Transactions and Balances*

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

2.16 Impairment of Non-financial Assets

The Group's investments in and advances to related parties, investment property, property and equipment and goodwill are subject to impairment testing. Goodwill is tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.17 Employee Benefits

(a) *Retirement Benefit Obligations*

Pension benefits are provided to employees through a defined benefit plan, as well as a defined contribution plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of pension plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired.

The liability recognized in the balance sheets for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the statements of income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (such as the Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the balance sheet date. They are included in Accounts Payable and Other Liabilities account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the consolidated balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated income statement.

Deferred tax is provided, using the balance sheet liability method on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the balance sheet liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

2.19 Earnings Per Share

Earnings per share are computed by dividing net income 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Distinction Between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generated cash flows largely independently of 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 production and supply of goods and services or for administrative purposes. If these portion 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 services or for 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.

(b) Operating and Finance Leases

The Group has entered into various lease agreements as lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

(c) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.10 and relevant disclosures are presented in Note 24.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Determining Net Selling Prices of Inventories

In determining the net realizable value of saleable condominium units and parking slots, management takes into account the most reliable evidence available at the time the estimates are made. Changes in the sources of estimation may cause significant adjustments to the Company's inventories within the next financial year.

(b) Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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. The carrying amount of property and equipment are analyzed in Note 12. 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 would increase recorded operating expenses and decrease non-current assets.

(c) Allowance for Impairment of Receivables and Advances

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 customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

The Group recognized the allowance for impairment on the receivables of the acquired subsidiaries in 2008 amounting to P8,048,013 (see Note 8). Provision for impairment losses on the advances to e*Hermes amounting to P6,282,869 was also recognized in 2008 (see Note 10).

(d) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at each consolidated balance sheet 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 did not recognize the deferred tax assets relating to temporary differences as of December 31, 2008 and 2007 since management does not expect to have sufficient taxable profit that will be available against which the deferred tax assets can be utilized (see Note 22).

(e) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.16. Though management believes 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 effect on the results of operations.

(f) *Retirement and Other Benefits*

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, 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 retirement benefit obligation and net unrecognized actuarial losses amounted to P2,948,259 and P70,937, respectively, in 2008 and P1,209,958 and P365,584, respectively, in 2007, respectively (see Note 21).

4. **RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. 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. Also, the Group has low exposure to interest rate risk since the Group's existing financial assets has fixed interest rate to maturity while liabilities do not bear interest. The most significant financial risks to which the Group is exposed to are described below.

4.1 Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below:

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	6	P 211,448,536	P 276,800,230
Installment contracts receivable	18	78,835,265	60,686,511
Receivables and advances - net	8	45,817,373	36,435,741
Advances to associates - net	10	1,691,887	105,384,351
		<u>P 337,793,061</u>	<u>P 479,306,833</u>

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. 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 Group's installment contracts receivable, which are secured by land titles, are actively monitored to avoid significant concentration of credit risk.

The table below shows the credit quality by class of financial assets as of December 31, 2008.

	<u>Neither Past Due nor Specifically Impaired</u>			Past Due or	<u>Total</u>
		Standard	Substandard	Individually	
	<u>High Grade</u>	<u>Grade</u>	<u>Grade</u>	<u>Impaired</u>	
Cash and cash equivalents	P 211,448,536	P -	P -	P -	P 211,448,536
Installment contracts receivable	-	78,835,265	-	-	78,835,265
Receivables and advances	-	35,317,595	10,499,778	8,048,013	53,865,386
Advances to related parties	-	-	1,691,887	10,325,400	12,017,287
	<u>P 211,448,536</u>	<u>P114,152,860</u>	<u>P 12,191,665</u>	<u>P 18,373,413</u>	<u>P 356,166,474</u>

This compares with the credit quality by class of financial assets as of December 31, 2007.

	<u>Neither Past Due nor Specifically Impaired</u>			Past Due or	<u>Total</u>
		Standard	Substandard	Individually	
	<u>High Grade</u>	<u>Grade</u>	<u>Grade</u>	<u>Impaired</u>	
Cash and cash equivalents	P 276,800,230	P -	P -	P -	P 276,800,230
Installment contracts receivable	-	60,686,511	-	-	60,686,511
Receivables and advances	-	26,999,367	9,436,374	-	36,435,741
Advances to related parties	-	-	105,384,351	25,912,172	131,296,523
	<u>P 276,800,230</u>	<u>P 87,685,878</u>	<u>P114,820,725</u>	<u>P 25,912,172</u>	<u>P 505,219,005</u>

4.2 Liquidity Risk

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in short-term placements or equity securities.

As at December 31, 2008, the Group's financial liabilities have contractual maturities which are presented below:

	<u>Current</u>		<u>Total</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	
Accounts payable and other current liabilities	P 26,687,665	P102,333,459	P 129,021,124
Due to a related party	-	80,153,569	80,153,569
	<u>P 26,687,665</u>	<u>P182,487,028</u>	<u>P 209,174,693</u>

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	<u>Current</u>		<u>Total</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	
Accounts payable and other current liabilities	P 24,229,756	P 46,104,889	P 70,334,645
Due to a related party	<u>-</u>	<u>91,153,569</u>	<u>91,153,569</u>
	<u>P 24,229,756</u>	<u>P137,258,458</u>	<u>P 161,488,214</u>

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

The contractual maturities of financial liabilities do not include subscriptions payable to SLPI, an associate, amounting to P42,158,700 in 2008 and 2007 (see Note 15), which do not bear interest and which are intended for the settlement of amounts due to the Group.

4.3 Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value through profit or loss. The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

The Group's equity securities listed in the Philippines exhibited an average volatility of 35.15% and 27.81% during 2008 and 2007, respectively. If the quoted prices for these securities increased or decreased by that amount at December 31, 2008 and 2007, income before tax and equity would have been increased or decreased by P1,989,965 in 2008 and P3,258,213 in 2007, respectively.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

4.4 Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. However, the Group holds US dollar-denominated cash. To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

The U.S. dollar denominated cash, translated into Philippine pesos at the closing rate amounted to P4,201,430 and P4,471,090 in 2008 and 2007, respectively, as shown below:

The U.S. dollar exhibited an average volatility of 26.18% and 20.72% during 2008 and 2007, respectively. If the Philippine peso had strengthened or weakened against the U.S. dollar, then this would impact income after tax by -/+P714,957 and -/+P602,166 in 2008 and 2007, respectively.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transaction transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

4.5 Interest Rate Risk

The Group's exposure to interest rate risk is deemed minimal since it has no assets and liabilities which bear interest other than deposits with banks.

5. SEGMENT REPORTING

5.1 Business Segments

For management purposes, the Group is organized into three major business segments, namely real estate, investment holding and healthcare services. 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. This segment includes the Group's transactions with joint ventures.
- (b) The investment holding creates project investments and later disposes these investments after creating value. This also includes acquisition and sale of equity securities. This is the main operation of the Parent Company. 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.
- (c) Healthcare services involves in delivering outpatient health care service through ambulatory care centers. This is the operation of the newly acquired subsidiaries of the Group.

5.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

The following tables present revenue and profit information regarding business segments of the Group for the years ended December 31, 2008 and 2007 (except for Healthcare Services since this segment was only acquired in December 24, 2008) and certain asset and liability information regarding industry segments at December 31, 2008 and 2007 (in thousands).

	<u>Real Estate</u>	<u>Investment Holding</u>	<u>Healthcare Services</u>	<u>Consolidated</u>
<u>2008</u>				
REVENUES	<u>P 88,316</u>	<u>P 23,317</u>	<u>P -</u>	<u>P 111,633</u>
RESULTS				
Segment results	<u>P 34,080</u>	<u>(P 21,479)</u>	<u>P -</u>	<u>P 12,601</u>
Interest income		P 11,343		11,343
Decline in value of financial assets		(8,451)		(8,451)
Tax expense				<u>(5,859)</u>
Net income				<u>P 9,634</u>
Attributable to:				
Parent company's shareholders				P 4,989
Minority interest				<u>4,645</u>
Net income				<u>P 9,634</u>
ASSETS AND LIABILITIES				
Segment assets	P 1,125,893	P 650,633	P 96,052	P 1,872,578
Intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,741</u>
Total assets	<u>P 1,125,893</u>	<u>P 650,633</u>	<u>P 96,052</u>	<u>P 1,894,319</u>
Segment liabilities	<u>P 153,900</u>	<u>P 87,207</u>	<u>P 13,175</u>	<u>P 254,282</u>
OTHER SEGMENT INFORMATION				
Depreciation	P -	(P 2,442)	P -	(P 2,442)
Capital expenditure in property and equipment	-	59,881	-	59,881
Capital expenditure in investment property	122,825	-	-	122,825
Investment and advances in associates – net	-	336,230	-	336,230
Reversal of allowance for decline in value of investment property	7,271	-	-	7,271
Equity share in net losses	-	(5,834)	-	(5,834)

	<u>Note</u>	<u>Real Estate</u>	<u>Investment Holding</u>	<u>Healthcare Services</u>	<u>Consolidated</u>
<u>2007</u>					
REVENUES	18	<u>P 35,025</u>	<u>P 51,117</u>	<u>P -</u>	<u>P 86,142</u>
RESULTS					
Segment results		<u>P 6,782</u>	<u>P 17,273</u>	<u>P -</u>	P 24,054
Interest income			P 11,148		11,148
Decline in value of financial assets			(304)		(304)
Tax expense					<u>(4,454)</u>
Net income					<u>P 30,444</u>
Attributable to:					
Parent company's shareholders					P 30,725
Minority interest					<u>(280)</u>
Net income					<u>P 30,445</u>
ASSETS AND LIABILITIES					
Segment assets		<u>P 1,053,139</u>	<u>P 781,302</u>	<u>P -</u>	<u>P 1,834,442</u>
Segment liabilities		<u>P 135,999</u>	<u>P 68,858</u>	<u>P -</u>	<u>P 204,857</u>
OTHER SEGMENT INFORMATION					
Depreciation		P -	(P 2,442)	P -	(P 2,442)
Capital expenditure in property and equipment		-	3,704	-	3,704
Capital expenditure in investment property		71,098	-	-	71,098
Investment and advances in associates – net		-	439,922	-	439,922
Reversal of allowance for decline in value of investment property		6,685	-	-	6,685

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	<u>2008</u>	<u>2007</u>
Cash on hand and in banks	P 14,334,048	P 13,515,022
Short-term placements	<u>197,114,488</u>	<u>263,285,208</u>
	<u>P 211,448,536</u>	<u>P 276,800,230</u>

Cash accounts with banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of between 30 to 35 days and earn effective interest ranging 5% to 6.25% per annum in 2008 and 3% and 8% in 2007. Total interest earned on cash in bank and short-term placements in 2008, 2007, and 2006 amounted to P11,343,198, P11,148,326, and P15,001,260, respectively, and formed part of the Interest Income account in the income statements.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of listed equity securities in the Philippines. The amounts presented have been determined directly by reference to published stock exchange prices. The Group recognized a decrease in value of these financial assets of P8,450,967, P304,464 and P157,050 in 2008, 2007 and 2006, respectively, which are presented as Decline in Value of Financial Assets in the income statements. The Group incurred a loss amounting to P239,468 in 2008 and generated gains amounting to P12,601,730 in 2007 and P6,312,884 in 2006 from the sale of these securities which amounts are included under Revenues in the income statements.

8. RECEIVABLES AND ADVANCES

The composition of this account as of December 31 follows:

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Accounts receivables		P 7,829,033	P -
Due from a developer		13,391,244	-
Advances to Guild Securities, Inc.	17	12,064,318	18,732,758
Advances to MTD Manila Expressways, Inc. (MTDME)		7,429,374	7,429,374
Construction bond		2,033,000	-
Loan receivable from FMCMI		-	6,766,380
Others		<u>3,070,404</u>	<u>3,507,229</u>
		<u>P 45,817,373</u>	<u>P 36,435,741</u>

The Due from a Developer account pertains to the collection from installment contracts receivable which is not yet remitted by Sta. Lucia Realty and Development, Inc. (SLRDI). The unremitted collections arise since collection of payments of buyers is done by the Developer and then later deposits the collections to the joint bank account of the Group and SLRDI.

The advances to Guild Securities, Inc., a stockbrokerage firm and a stockholder of the Group, relate to non interest-bearing advances for purchases of investment, net of proceeds from the trading of equity securities.

The advances to MTDME pertains to the advances to MTDME, when it was still on a pre-operating stage.

The accounts receivables pertains to the receivables of FMCMI and FMCSRI, the newly acquired subsidiaries. The age of financial assets past due but not impaired amounted to P348,696 and P237,227 in 2008 and 2007, respectively.

Due to their short duration, the carrying amount of these short-term financial assets is a reasonable approximation of their fair value. Management believes that receivables and advances are not impaired and, accordingly, no allowance for impairment losses on receivables and advances was recognized in 2008 and 2007.

9. INVENTORIES

The composition of this account as of December 31 follows:

	<u>2008</u>	<u>2007</u>
Saleable lots	P 218,870,499	P 238,644,200
Saleable condominium units and parking slots	76,600,041	-
Medical supplies	<u>2,658,844</u>	<u>-</u>
	<u>P 298,129,384</u>	<u>P 238,644,200</u>

Saleable lots pertains to the land located in Biñan, Laguna which is currently being sold and developed by SLRDI into Palma Real Residential Estates project, under a venture agreement with CCPC, a subsidiary. The balance of the saleable lots is equivalent to the cost of the unsold portion of the land.

The movements of the saleable lots follow:

	<u>2008</u>		<u>2007</u>	
	<u>Lots in square meters</u>	<u>Amount</u>	<u>Lots in square meters</u>	<u>Amount</u>
Saleable lots at beginning of year	73,252	P 238,644,200	80,432	P 265,384,185
Cancelled contracts	542	1,793,315	-	-
Saleable house	-	1,257,443	-	-
Other cost	-	<u>6,860,000</u>	-	<u>-</u>
	<u>73,794</u>	<u>248,554,958</u>	80,432	265,384,185
Cost of real estate sold	(8,983)	(<u>29,684,459</u>)	(7,180)	(<u>26,739,985</u>)
Saleable lots at end of year	<u>64,811</u>	<u>P 218,870,499</u>	<u>73,252</u>	<u>P 238,644,200</u>

Saleable condominium units and parking slots pertains to the unsold portion of the

Parent Company's share of units and parking slots from the joint venture by DMCI.
The movements of the saleable condominium units and parking slots follow:

	<u>Note</u>	<u>Area in Square Meters</u>	<u>Amount</u>
Cost of investment property reclassified as saleable condominium units and parking slots	11	-	P 92,735,550
Share in saleable condominium units and parking slots allocated to the Parent Company		4,862	-
Cost of real estate sold during the year		(846)	(16,135,509)
Saleable condominium units and parking slots at end of year		<u>4,016</u>	<u>P 76,600,041</u>

The Company expects to sell 20% of the remaining saleable lots in the next 12 months.

10. INVESTMENTS IN AND ADVANCES TO ASSOCIATES

The breakdown of this account follows:

	<u>2008</u>	<u>2007</u>
Investment in associates	P 95,702,285	P 101,536,055
Deposit for future stock subscription	233,002,530	233,002,530
Advances to associates	<u>1,691,887</u>	<u>105,384,351</u>
	<u>P 330,396,702</u>	<u>P 439,922,936</u>

The breakdown of the Group's investments in associates follows:

	<u>Amount</u>	<u>Accumulated Equity in Net Losses</u>	<u>Net Amount</u>
<u>2008</u>			
Investments at equity			
SLPI	P100,000,000	(P 100,000,000)	P -
AAHDC	101,536,055	(5,833,770)	95,702,285
e*Hermes	<u>800,000</u>	<u>(800,000)</u>	<u>-</u>
	<u>P202,336,055</u>	<u>(P106,633,770)</u>	<u>P 95,702,285</u>

	<u>Amount</u>	<u>Accumulated Equity in Net Losses</u>	<u>Net Amount</u>
<u>2007</u>			
Investments at equity			
HSAPI	P140,552,633	(P140,552,633)	P -
SLPI	100,000,000	(100,000,000)	-
AAHDC	101,536,055	-	101,536,055
e*Hermes	<u>800,000</u>	<u>(800,000)</u>	<u>-</u>
	<u>P342,888,688</u>	<u>(P 241,352,633)</u>	<u>P 101,536,055</u>

On December 24, 2008, the Group made additional investment amounting to P31,707,877 in HSAPI resulting to an increase in the Group's ownership from 47% in 2007 to 74% in 2008 and which earned the Group's control over HSAPI (see Note 1). The acquisition resulted to a goodwill amounting to P21,740,604, representing the excess of cost amounting to P31,707,877 over the fair value of net assets of HSAPI amounting P9,967,273 at the time of acquisition.

The Group recognized equity share in net loss from AAHDC amounting to P5,833,770 which is presented in the 2008 income statement.

The breakdown of the Group's deposit for future stock subscription and advances in associates follows:

	<u>Note</u>	<u>Amount</u>	<u>Allowance for Impairment</u>	<u>Net Amount</u>
<u>2008</u>				
Deposit for future stock subscription of SLPI		<u>P 317,688,141</u>	<u>(P 84,685,611)</u>	<u>P 233,002,530</u>
Advances to associates:				
e*Hermes		P 10,325,400	(P 10,325,400)	P -
SLPI		1,436,026	-	1,436,026
AAHDC		<u>255,861</u>	<u>-</u>	<u>255,861</u>
Total	17	<u>P 12,017,287</u>	<u>(P 10,325,400)</u>	<u>P 1,691,887</u>

<u>2007</u>				
Deposit for future stock subscription of SLPI		<u>P317,688,141</u>	<u>(P 84,685,611)</u>	<u>P 233,002,530</u>
Advances to associates:				
HSAPI		P119,334,736	(P 21,869,640)	P 97,465,096
e*Hermes		10,269,900	(4,042,532)	6,227,368
SLPI		1,436,026	-	1,436,026
AAHDC		<u>255,861</u>	<u>-</u>	<u>255,861</u>
Total		<u>P131,296,523</u>	<u>(P 25,912,172)</u>	<u>P 105,384,351</u>

The unabsorbed net loss of the respective associates follows:

	<u>2008</u>	<u>2007</u>
SLPI	P 46,633,205	P 45,118,068
e*Hermes	4,937,801	4,903,410
HSAPI	<u>-</u>	<u>23,176,190</u>
	<u>P 51,571,006</u>	<u>P 73,197,668</u>

A reconciliation of the allowance for impairment at beginning and end as of December 31, 2008, 2007, and 2006 are shown below:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance at beginning of year:			
Allowance for impairment on deposit for future stock subscription of SLPI	P 84,685,610	P 84,685,610	P 83,740,455
Allowance for impairment on advances to associates	<u>25,912,172</u>	<u>25,912,172</u>	<u>25,912,172</u>
	110,597,782	110,597,782	109,652,627
Eliminated impairment loss on advances to newly acquired subsidiary (HSAPI)	(21,869,640)	-	-
Impairment loss on advances to associates during the year	<u>6,282,869</u>	<u>-</u>	<u>945,155</u>
Balance at end of year	<u>P 95,011,011</u>	<u>P110,597,782</u>	<u>P 110,597,782</u>

The following summarizes the financial position and financial performance of the Group's associates as of December 31:

	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Net Income (Loss)</u>
<u>2008</u>			
SLPI	P 571,345,921	P 9,435,826	(P 3,030,274)
AAHDC	355,112,724	31,755,776	(25,364,220)
e*Hermes	15,898	35,000	(85,978)
<u>2007</u>			
SLPI	P 571,646,523	P 79,925,739	P 50,587,787
AAHDC	370,673,332	21,952,164	29,594,582
e*Hermes	11,375	-	(43,169)

11. INVESTMENT PROPERTIES

The Group's investment properties pertain to certain parcels of land held for future development and land subject of the joint venture agreements, which are accounted for by the Group using the cost model. The movement of this account follows:

	<u>2008</u>	<u>2007</u>
Cost	P 830,976,285	P 800,887,257
Allowance for impairment	(63,783,574)	(71,054,074)
	<u>P 767,192,711</u>	<u>P 729,833,183</u>

The land in Barangay Fort Bonifacio, Taguig City is subject of the joint venture agreement entered into by the Parent Company and FBMCI, a subsidiary, DMCI in 2005 for the development, construction and sale of three condominium buildings which shall be called Cypress Project. In 2008, the Parent Company reclassified the cost of investment properties amounting to P92,735,550 as saleable condominium units and parking slots since there was already an allocation of units for the share of the Parent Company in the joint venture (see Note 18)

A reconciliation of the carrying values of investment properties at beginning and end as of December 31 are shown below:

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year		P 800,887,257	P 729,788,916
Additions		122,824,578	71,098,341
Reclassified to saleable condominium units and parking slots	9	(92,735,550)	-
Balance at end of year		<u>P 830,976,285</u>	<u>P 800,887,257</u>

A reconciliation of the allowance for impairment at beginning and end as of December 31 are shown below:

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	P 71,054,074	P 68,453,449
Reversal of allowance for impairment	(7,270,500)	(6,685,246)
Additions	-	9,285,871
Balance at end of year	<u>P 63,783,574</u>	<u>P 71,054,074</u>

The Company recognized a recovery in value of the land held for future development amounting to P7,270,500 and P6,685,246 in 2008 and 2007, respectively.

The total appraised values of the Group's investment properties in 2008 and 2007 amounted to P914,710,708 and P841,518,708 as determined by independent appraisers. The appraised values were determined through the inspection of property and investigation of local market condition with consideration to the extent, character and utility of property, sales and holding prices of similar land and highest and best use of the property.

12. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2008 and 2007 are shown below.

	Medical Equipment	Furniture and Fixtures	Office Equipment Transportation Equipment	Leasehold Improvement	Construction In Progress	Total
December 31, 2008						
Cost	9,164,769	3,639,441	11,935,658	109,067	68,504,301	93,353,236
Accumulated depreciation and amortization	-	(1,559,814)	(7,308,141)	-	-	(8,867,955)
Net Carrying amount	P 9,164,769	P 2,079,627	P 4,627,517	P 109,067	P 68,504,301	P 84,485,281
December 31, 2007						
Cost	-	1,572,759	13,135,659	-	-	14,708,418
Accumulated depreciation and amortization	-	(1,465,308)	(5,651,009)	-	-	7,116,317
Net Carrying amount	P -	P 107,451	P 7,484,650	P -	P -	P 7,592,101
December 31, 2006						
Cost	-	1,523,358	9,480,520	-	-	11,003,878
Accumulated depreciation and amortization	-	(1,406,722)	(3,620,292)	-	-	5,027,014
Net Carrying amount	P -	P 116,636	P 5,860,228	P -	P -	P 5,976,864

A reconciliation of the carrying amounts at the beginning and end of 2008 and 2007, of property and equipment is shown in the succeeding page.

	Medical Equipment	Office Equipment Furniture and Fixtures	Transportation Equipment	Leasehold Improvement	Construction In Progress	Total
Balance at January 1, 2008, net of accumulated depreciation and amortization	P -	P 107,451	P 7,484,650	P -	P -	P 7,592,101
Additions	-	44,146	-	-	59,844,415	59,888,561
Additions from newly acquired subsidiary	9,164,769	2,012,820	-	109,067	8,659,886	19,946,542
Disposals	-	-	(500,000)	-	-	(500,000)
Depreciation and amortization charges for the year	-	(84,791)	(2,357,132)	-	-	(2,441,923)
Balance at December 31, 2008, net of accumulated depreciation and amortization	P 9,164,769	P 2,079,626	P 4,627,518	P 109,067	P 68,504,301	P 84,485,281
Balance at January 1, 2007, net of accumulated depreciation and amortization	P -	P 116,636	P 5,860,228	P -	P -	P 5,976,864
Additions	-	49,401	3,655,139	-	-	3,704,540
Depreciation and amortization charges for the year	-	(58,586)	(2,030,717)	-	-	(2,089,303)
Balance at December 31, 2007, net of accumulated depreciation and amortization	P -	P 107,451	P 7,484,650	P -	P -	P 7,592,101

Construction in progress pertains to the construction of building in Bel-Air Village, Makati City which is expected to be completed in April 2009. Part of the building is intended to be use as the new office of the Group and its subsidiaries and the rest will be commercial spaces for lease. The Group availed the services of a contractor for labor and supervision of the construction through an agreement with budget amounting to P56,117,198 excluding materials and supplies.

13. OTHER NON-CURRENT ASSETS

This account consists of:

	<u>2008</u>	<u>2007</u>
Input value-added tax (VAT)	P 33,373,887	P 24,479,107
Others	<u>2,521,676</u>	<u>2,404,907</u>
	<u>P 35,895,563</u>	<u>P 26,884,014</u>

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

The details of accounts payable and other current liabilities account are as follows:

	<u>2008</u>	<u>2007</u>
Payable on purchase of land	P 55,193,064	P 19,372,055
Accrued expenses	19,980,097	16,955,878
Customers' deposit	18,739,180	2,769,770
Trade payables	11,993,459	7,716,312
Due to DMCI	6,707,566	7,273,878
Due to GCV Management	6,006,095	6,013,532
Other current liabilities	<u>10,401,663</u>	<u>10,233,220</u>
	<u>P 129,021,124</u>	<u>P 70,334,645</u>

Due to their short duration, the carrying amounts of accounts payable and other current liabilities recognized in the balance sheets represent reasonable approximation of their fair values.

Customers' deposits pertain to payments received from buyers of lots and condominium units and parking slots which had not reached the 25% of the total contract price.

In 2008, the Group made reversals of other current liabilities amounting to P10,305,437 since it had ascertained that these are no longer demandable. The reversal was included in the Other Income in the 2008 income statement (see Note 19).

15. SUBSCRIPTION PAYABLE

Subscription payable refers to the unpaid subscription (with no specific payment date, bears no interest, and callable anytime) of the Group to SLPI, an associate, as of December 31, 2008 and 2007.

16. EQUITY

16.1 Capital Management Objectives, Policies and Procedures

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments thereon in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group applied for capital restructuring to SEC, which had been approved on January 10, 2008, to reduce its deficit by the Group's capital stock and additional paid in capital (APIC) (see Note 15).

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheets. Capital for the reporting periods under review is summarized as follows:

	<u>2008</u>	<u>2007</u>
Total liabilities	P 254,281,652	P 204,856,872
Total equity	1,497,767,591	1,492,778,612
Debt-to-equity ratio	<u>0.17 : 1.00</u>	<u>0.14 : 1.00</u>

16.2 Capital Restructuring

In June and August 2007, the Group's BOD and stockholders, respectively, approved a capital restructuring requiring the application of the Group's additional APIC to the outstanding deficit as of December 31, 2006 amounting to P628,699,604. This capital restructuring was approved by the Securities and Exchange Commission on January 10, 2008. To conform with the substance of the capital restructuring, the Group effected the same at the end of 2007. The effects of the capital restructuring on the Group's equity as of December 31, 2007 follow:

- (a) Decrease in authorized capital stock from P3,000,000,000 divided into 3,000,000,000 shares with par value of P1 each to P2,400,000,000 divided into 2,400,000,000 shares with par value of P1 each.
- (b) Decrease in subscribed capital stock from P1,699,999,995 to P1,359,999,996, which resulted in the P339,999,999 decrease in the paid up capital from P1,670,146,815 to P1,330,146,816.
- (c) The P339,999,999 decrease in the paid up capital and the existing APIC of P407,269,879 was applied against the December 31, 2006 deficit of P628,699,604, resulting to a remaining APIC of P118,570,274. The remaining APIC of P118,570,274 shall not be used to wipe out losses that may be incurred in the future without prior approval of the SEC.
- (d) Reduction of par value per share from P1 to P0.10 resulting in the following:
 - (i) the increase in number of authorized common shares from 2,400,000,000 to 24,000,000,000; (ii) the increase in the number of subscribed common shares from 1,359,999,996 to 13,599,999,960; and (iii) the increase in the number of paid-up common shares from 1,330,146,816 to 13,301,468,160.

- (e) With the approval of the decrease in authorized capital and the capital restructuring, a stockholder who owns one common share with par value of P1 each will now have eight common shares with par value of P0.10 each. For resulting fractional shares, however, the Group has adopted the policy of rounding-up each fractional share.

16.3 Stock Option Plan

The details of the Capital Stock account as of December 31, 2008, 2007 and 2006 are shown below and succeeding page:

The Group has a stock option plan, which entitles directors and executive officers of the Group to purchase shares of stock of the Group 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 Group. The option shares 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 May 31, 2002, 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 other 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.

In a meeting of the BOD, dated March 27, 2007, the BOD resolved that the vesting period of the stock option plan be extended by another 5 years from May 31, 2007.

No stock option was exercised from the time the plan was approved.

17. RELATED PARTY TRANSACTIONS

The Group's related parties include its associates, the Group's key management personnel compensation and others as described below.

17.1 Due to a Related Party

This account represents mainly the amount payable to Solid Share Holdings, Inc. (SSHI), a shareholder of CCPC, pertaining to cash advances amounting to P80,153,569 and P91,153,569 as of December 31, 2008 and 2007, respectively, used by CCPC to finance the acquisition and development of the land located in Biñan, Laguna and for payments of various administrative expenses. Total payments to SSHI amounted to P11,000,000 in 2008 and P14,341,120 in 2007. These advances are non-interest bearing and do not have specific repayment terms.

17.2 Advances to Guild Securities

Guild Securities, Inc., a stockholder, is also the Group's broker in its trading of equity securities. The Group provides advances for future purchases of investment which is later netted from the proceeds in the trading of equity securities. This account was included under Receivables and advances in the consolidated balance sheets. The movements in the advances are shown below:

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year		P 18,732,758	P 13,195,117
Buying transactions		(15,079,048)	(18,077,707)
Selling transactions		8,352,442	23,615,348
Others		<u>58,166</u>	<u>-</u>
Balance at end of year	8	<u>P 12,064,318</u>	<u>P 18,732,758</u>

17.3 Advances to Related Parties

In the normal course of business, the Group grants advances to its related companies for working capital requirements, and for the payment of pre-operating expenses with no specific repayment terms. This account was included under Investments in and advances to associates in the consolidated balance sheets. The movements of advances follow:

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Balance at beginning of year		P 131,296,522	P 154,472,393
Additions		55,501	87,380
Repayments		-	(2,345,995)
Reclassification		(<u>119,334,736</u>)	(<u>20,917,255</u>)
Balance at end of year	10	<u>P 12,017,287</u>	<u>P 131,296,523</u>

17.4 Key Management Personnel Compensation

Salaries and other benefits given to key management personnel are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Salaries and wages	P 925,200	P 925,200	P 925,200
13th month and other bonuses	37,032	37,032	37,032
Social security services and other contributions	<u>16,365</u>	<u>16,365</u>	<u>10,950</u>
	<u>P 978,597</u>	<u>P 978,597</u>	<u>P 973,182</u>

18. JOINT VENTURE AGREEMENT

18.1 Joint Venture Agreement with DMCI

In 2005, the Parent Company entered into a Memorandum of Agreement (the Agreement) with the DMCI wherein the Parent Company together with FBMC shall contribute land where DMCI will develop and construct three condominium buildings to be called The Cypress Project which is expected to be completed in the year 2010. DMCI shall be responsible for completion of the project and for all expenditures and liabilities that may arise upon the course of the project.

The initial joint venture agreement had been subject to changes as transactions were negotiated. As of December 31, 2008, the parties are still in the process of finalizing the details of allocation of units, sales and marketing, and other commitments of the parties. With the changes made, the parties have thus far agreed that a.) the Parent Company and FBMC shall contribute the land; b.) DMCI shall be responsible for the development, construction and sale of condominium units; and c.) the joint venture allocates 15.6% of the total saleable condominium units and parking slots to the Parent Company and FBMC.

Sales were made from the allocated saleable units to the Parent Company and FBMC, however, it had been mutually agreed that all proceeds of sales will be recognized by CEI first before FBMC will receive its share. The Parent Company recognized in its 2008 and 2007 financial statements its share of the assets, liabilities, revenues and expenses in the joint venture in accordance with the Agreement.

18.2 Joint Venture Agreement with SLRDI

On October 23, 2003, the CCPC entered into a Memorandum of Agreement (the Agreement) with the SLRDI (the Developer) wherein the 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 unit (see Note 9).

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 the 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. The CCPC shall be paid 60% of the sales proceeds while SLRDI shall be paid 40% of the sales proceeds. The CCPC and SLRDI shall shoulder the corresponding taxes on their respective share of proceeds;
- c. The proceeds from the sale of lots shall be deposited in the joint bank account of the CCPC and SLRDI; and
- d. The 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 the CCPC and SLRDI.

The Project started selling lots in 2004. The Group recognized in its 2008 and 2007 financial statements its share of the assets, liabilities, revenues and expenses in the joint venture in accordance with the Agreement.

The Group paid P5,777,912, P1,503,907, and P3,004,250 (amounts net of VAT) to the Marketing Managers for the years ended December 31, 2008, 2007 and 2006, respectively, representing the latter's share in the marketing management fee, which is shown as Commission in the income statements.

Commissions paid to the Marketing Managers amounting to P5,025,335 in 2008 and P4,499,570 in 2007 on accounts which were not classified as sales and regarded only as customers' deposit were recorded as prepaid commission which was included in the Other Current Assets in the balance sheets.

The Group's earned revenues from joint ventures follow:

	<u>Joint Venture With SLRDI</u>	<u>Joint Venture With DMCI</u>	<u>Total</u>
<u>2008</u>			
Real estate sales	P 47,813,926	P 31,046,571	P 78,860,497
Interest income	<u>2,120,616</u>	<u>63,934</u>	<u>2,184,550</u>
	<u>P 49,934,542</u>	<u>P 31,110,505</u>	<u>P 81,045,047</u>
<u>2007</u>			
Real estate sales	P 32,719,977	P -	P 32,719,977
Interest income	<u>2,305,414</u>	<u>-</u>	<u>2,305,414</u>
	5 <u>P 35,025,391</u>	<u>P -</u>	<u>P 35,025,391</u>

The Group's total receivables arising from real estate sales with these joint ventures follow:

	<u>Joint Venture With SLRDI</u>	<u>Joint Venture With DMCI</u>	<u>Total</u>
<u>2008</u>			
Installment contracts receivable			
Current	P 34,578,699	P 4,371,698	P 38,950,397
Non-current	<u>33,364,993</u>	<u>6,519,875</u>	<u>39,884,868</u>
	<u>P 67,943,692</u>	<u>P 10,891,573</u>	<u>P 78,835,265</u>
<u>2007</u>			
Installment contracts receivable			
Current	P 15,004,782	P -	P 15,004,781
Non-current	<u>45,681,728</u>	<u>-</u>	<u>45,681,728</u>
	<u>P 60,686,510</u>	<u>P -</u>	<u>P 60,686,509</u>

As of December 31, 2008, there were no outstanding contingent liabilities and commitments with respect to the joint venture agreement.

19. OTHER INCOME - NET

Presented below are the details of this account:

	<u>Note</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Reversal of other current liabilities	14	P 10,305,437	P -	P -
Gain on disposal of investment		-	26,200,000	-
Gain on penalty charges		-	-	17,950,000
Reversal of over-accrual of charges from EPCI		-	-	6,124,100
Others		<u>1,696,965</u>	<u>1,166,950</u>	<u>969,237</u>
		<u>P 12,002,402</u>	<u>P 27,366,950</u>	<u>P 25,043,337</u>

In February 2007, the Group invested in stocks of MTDME for P170.0 million. This was pursuant to the agreement with MTD Equity Sdn Bhd (MTDE) in 2005, granting the Group an option to subscribe to a maximum of five percent (5%) of the equity of MTDME. In October 2007, the investment was subsequently sold to MTD Bahrain Holding Company WLL for P196.2 million, resulting to a gain of P26.2 million. Capital gains tax paid related to the sale of the investment amounted to P2.6 million and is included as part of Tax Expense account in the 2007 income statement.

In 2006, the Group collected P17.9 million from NDAC as payment for the penalty charges with regard to the aborted purchase of shares of HCII by NDAC as agreed with the Group in 2004.

In 2004, the Group made an accrual for transfer taxes and other expenses advanced by Equitable PCI Bank (EPCI Bank) amounting to P8.7 million arising from the payment of loans through dacion-en-pago arrangements in prior years. However, in 2006, the Group's final payment amounted only to P2.6 million because the Bank was not able to substantiate the expense charged of P8.7 million. The Group therefore recognized the P6.1 million difference as Other Income in the 2006 income statement.

20. OTHER OPERATING EXPENSES

Other operating expenses incurred include the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Listing fees	P 1,520,000	P 200,000	P 200,000
Transportation and travel	697,853	832,351	947,938
Security services	616,071	667,410	617,485
Communication, light and power	508,234	420,142	411,220
Repairs and maintenance	499,464	59,558	279,749
Supplies	295,479	145,003	370,965
Association dues	288,230	249,354	249,344
Impairment loss on land held for future development – net of recovery	-	9,285,871	14,908,000
Unrealized foreign exchange loss	-	844,054	84,936
Others	<u>3,529,116</u>	<u>2,754,143</u>	<u>2,399,452</u>
	<u>P 7,954,447</u>	<u>P 15,457,886</u>	<u>P 20,469,089</u>

21. EMPLOYEE BENEFITS

Expenses recognized for employee benefits are presented below:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Salaries and wages	P 3,007,642	P 2,692,647	P 2,589,383
Retirement benefit expense	276,093	249,756	238,734
13th month and other bonuses	266,070	229,181	275,300
Social security costs	160,644	138,576	118,177
Compensated absences	28,583	67,890	125,898
Other benefits	<u>430,666</u>	<u>601,594</u>	<u>370,963</u>
	<u>P 4,169,698</u>	<u>P 3,979,644</u>	<u>P 3,718,455</u>

The amounts of retirement benefit obligation recognized in the consolidated balance sheets are determined as follows:

	<u>2008</u>	<u>2007</u>
Present value of the obligation	P 3,019,196	P 1,575,542
Net unrecognized actuarial losses	(70,937)	(365,584)
Retirement benefit obligation	<u>P 2,948,259</u>	<u>P 1,209,958</u>

The amounts of retirement benefits recognized in the consolidated income statements are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current service costs	P 140,541	P 137,483	P 120,627
Interest costs	123,995	97,710	106,549
Net actuarial losses recognized during the year	<u>11,557</u>	<u>14,563</u>	<u>11,558</u>
Retirement benefit expense	<u>P 276,093</u>	<u>P 249,756</u>	<u>P 238,734</u>

The movements in the retirement benefit obligation recognized in the books are as follows:

	<u>2008</u>	<u>2007</u>
Balance at beginning of year Retirement benefit obligation	P 1,209,958	P 960,202
of acquired subsidiary	1,462,208	-
Expense recognized	<u>276,093</u>	<u>249,756</u>
Balance at end of year	<u>P 2,948,259</u>	<u>P 1,209,958</u>

In determining the retirement benefit obligation, the following actuarial assumptions were used:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Discount rates	9.79%	7.37%	10.19%
Expected rate of salary increases	5.00%	5.00%	8.00%

22. TAXES

22.1 Income Taxes

The major components of tax expense in the consolidated income statements for the years ended December 31 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current tax expense:			
Final tax at 20% and 7.5%	P 2,214,937	P 4,316,732	P 3,000,252
Minimum corporate income tax or MCIT at 2%	652,337	137,321	377,510
Regular corporate income Tax (RCIT) at 35%	3,270,530	-	2,348,571
Benefit from application of MCIT against RCIT	(278,238)	-	-
Tax expense reported in the consolidated income statements	<u>P 5,859,566</u>	<u>P 4,454,053</u>	<u>P 5,726,333</u>

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense attributable to continuing operations follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax on pretax income at 35%	P 5,422,735	P 12,214,484	P 16,200,705
Adjustment for income subjected to lower income tax rates	(1,672,215)	(12,241,904)	(4,088,444)
Tax effects of:			
Unrecognized deferred tax assets (liabilities)	(2,736,085)	4,386,744	2,295,019
Benefit from previously unrecognized net operating loss carryover (NOLCO)	(110,269)	148,835	(6,545,500)
Non-taxable income	(131,730)	(78,372)	(3,306,039)
Non-deductible expenses	<u>5,087,130</u>	<u>24,266</u>	<u>1,170,592</u>

Tax expense reported in the consolidated income statements P 5,859,566 P 4,454,053 P 5,726,333

The Group did not recognize the deferred tax assets relating to temporary differences as of December 31, 2008 and 2007 since management does not expect the Group to have sufficient taxable profit that will be available against which the deferred tax assets can be utilized.

The amounts of the deferred tax assets arising from deductible temporary differences that were not recognized by the Group as of December 31, 2008 and 2007 follow:

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Allowance for impairment on advances to related parties	P 195,811,008	P 58,743,302	P 169,535,814	P 59,337,535
Unamortized pre-operating expenses	141,062,483	42,318,745	131,667,080	46,083,478
Allowance for impairment on receivables	19,969,486	5,990,846	12,741,843	4,459,645
Unrealized gross profit from installment sales	8,894,170	2,668,251	-	-
NOLCO	8,007,750	2,402,325	19,866,029	6,953,110
Retirement benefit obligation	3,137,359	941,208	1,209,958	423,485
MCIT	1,144,081	1,144,081	1,016,312	1,016,311
Unrealized foreign exchange loss	(719,210)	(215,763)	-	-
	<u>P 377,307,127</u>	<u>P 113,992,995</u>	<u>P 336,037,036</u>	<u>P 118,273,564</u>

The Group is subject to MCIT which is computed at 2% of gross income. The Group's MCIT, which can be applied as a deduction from income tax payable up to three years, is as follows:

<u>Year</u>	<u>Amount</u>	<u>Valid Until</u>
2008	P 595,382	2011
2007	171,189	2010
2006	<u>377,510</u>	2009
	<u>P 1,144,081</u>	

MCIT amounting to P305,722 incurred by the Group in 2005 expired in 2008.

Total NOLCO applied by the Group to taxable income amounted to P11,712,948. The breakdown of the Group's remaining NOLCO, which can be claimed as a deduction from future taxable income within three years from the year the taxable loss was incurred is shown below:

<u>Year</u>	<u>Amount</u>	<u>Valid Until</u>
2008	P 3,165,834	2011
2007	3,642,129	2010
2006	<u>1,119,785</u>	2009
	<u>P 8,007,748</u>	

NOLCO amounting to P25,044,158 incurred by the Group in 2005 expired in 2008.

22.2 Changes in Tax Regulation

Effective July 2008, Republic Act 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2008, the Group opted to continue claiming itemized deductions.

On October 19, 2007, the BIR issued RR No. 12-2007 which requires the quarterly computation and payment of the MCIT beginning on the income tax return for fiscal quarter ending September 30, 2007. This RR amended certain provisions of RR No. 9-98 which specifically provides for the computation of the MCIT at the end of each taxable year.

In accordance with Republic Act (RA) No. 9337 which amended certain sections of the National Internal Revenue Code of 1997, the RCIT rate is reduced from 35% to 30% beginning January 1, 2009. Hence, the Group's unrecognized net deferred tax assets as of December 31, 2008 were measured at 30% representing the enacted tax rate that will apply to the period when the assets will be realized or the liabilities will be settled.

23. BASIC/DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are computed as follows:

	<u>Note</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net income attributable to shareholders of Crown Equities, Inc.	P	4,988,979	P 30,724,985	P 34,508,856
Divided by weighted average number of outstanding common shares	16	<u>13,599,999,960</u>	<u>13,599,999,960</u>	<u>13,599,999,960</u>
Basic/Diluted earnings per share		<u>P 0.00037</u>	<u>P 0.00226</u>	<u>P 0.00254</u>

For comparative purposes, the effects of the capital restructuring at the end 2007 was retroactively applied in the computation of the Group's basic earnings per share. As a result of the capital restructuring, the par value per share decreased from P1.00 to P0.10 and the total number of outstanding common shares increased from 1,699,999,995 shares to 13,599,999,960 (see Note 16).

The Group does not have dilutive or potential dilutive shares as of December 31, 2008, 2007 and 2006.

24. COMMITMENTS AND CONTINGENCIES

24.1 Lease Commitments

The Group is a lessee under a non-cancellable operating lease covering office space and parking areas. The leased areas are shared with CCPC and Crown Circle Insurance Brokers, Inc. The lease has a term of two years, with renewal options.

Total rentals from this operating lease amounted to P1,635,793 in 2008, P1,349,830 in 2007 and P1,120,970 in 2006 shown as Rental in the consolidated income statements.

24.2 Others

There are commitments and contingencies existing as of the balances sheet date that have not been recorded in the accompanying consolidated financial statements. As of December 31, 2008, management is of the opinion that losses, if any, from these items will not have a material effect on the Group's consolidated financial statements.

ANNEX A

CROWN EQUITIES, INC.

UNAUDITED FINANCIAL STATEMENTS

MARCH 31, 2009

Philippine Pesos

CROWN EQUITIES, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31 2009 (Unaudited)	December 31 2008 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	154,866,360	211,448,536
Financial assets at fair value through profit and loss	9,364,023	8,710,098
Installment contracts receivable	39,238,227	38,950,397
Receivables and advances - net	38,046,098	45,817,373
Inventories	297,890,887	298,129,384
Other current assets	11,922,822	11,667,022
Total Current Assets	551,328,417	614,722,810
Non-current Assets		
Installment contracts receivable	39,884,869	39,884,868
Investments in and advances to related parties-net	332,556,467	330,396,702
Investment properties-net	769,761,429	767,192,711
Property and equipment, net	115,148,268	84,485,281
Goodwill	21,740,604	21,740,604
Other non-current assets	40,619,549	35,895,563
Total Non-current Assets	1,319,711,186	1,279,595,729
TOTAL ASSETS	1,871,039,603	1,894,318,539
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and other liabilities	113,561,383	129,021,124
Due to related party	77,251,867	80,153,569
Subscriptions payable	42,158,700	42,158,700
Total Current Liabilities	232,971,950	251,333,393
Retirement Benefit Obligation	2,948,259	2,948,259
Total Liabilities	235,920,209	254,281,652
Equity		
Attributable to parent company shareholders	1,493,658,580	1,497,767,591
Attributable to minority interest	141,460,814	142,269,296
Total Equity	1,635,119,394	1,640,036,887
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	1,871,039,603	1,894,318,539

CROWN EQUITIES, INC.
CONSOLIDATED STATEMENTS OF INCOME

	For the First quarter ended		Year-to-date ended	
	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)
REVENUES				
Real estate sales	354,375	7,146,693	354,375	7,146,693
Sale of medical goods & services	10,665,041		10,665,041	
Interest income	2,424,448	2,560,293	2,424,448	2,560,293
Other income	898,616	769,631	898,616	769,631
TOTAL	14,342,480	10,476,617	14,342,480	10,476,617
COST & EXPENSES				
Cost of sales and services	3,446,579	4,301,838	3,446,579	4,301,838
Employee compensation & benefits	3,537,981	941,357	3,537,981	941,357
Professional fees	1,090,516	619,972	1,090,516	619,972
Commission	1,494,202	566,453	1,494,202	566,453
Depreciation and amortization	1,345,188	640,130	1,345,188	640,130
Rental	3,102,329	301,520	3,102,329	301,520
Taxes and Licenses	1,883,750	501,952	1,883,750	501,952
Impairment loss on assets and other losses	-	3,028,028	-	3,028,028
Other operating expenses	3,359,428	2,989,914	3,359,428	2,989,914
TOTAL	19,259,973	13,891,165	19,259,973	13,891,165
INCOME (LOSS) BEFORE TAX	(4,917,493)	(3,414,548)	(4,917,493)	(3,414,548)
TAX EXPENSE	-	-	-	-
NET INCOME (LOSS)	(4,917,493)	(3,414,548)	(4,917,493)	(3,414,548)
Net Income (Loss) Attributable to:				
Shareholders of Crown Equities, Inc.	(4,109,011)	(4,132,761)	(4,109,011)	(4,132,761)
Minority Interest	(808,482)	718,214	(808,482)	718,214
	(4,917,493)	(3,414,548)	(4,917,493)	(3,414,548)
Earnings (Loss) Per Share	(0.000302)	(0.000304)	(0.000302)	(0.000304)

CROWN EQUITIES, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the quarter		Year to date	
	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)
Capital Stock - P0.10 par value				
Authorized - 24,000,000,000 shares				
Subscribed - 13,599,999,960 shares	1,359,999,996	1,359,999,996	1,359,999,996	1,359,999,996
Less subscriptions receivable	29,853,180	29,853,180	29,853,180	29,853,180
	1,330,146,816	1,330,146,816	1,330,146,816	1,330,146,816
Additional paid-in capita	118,570,274	118,570,274	118,570,274	118,570,274
Retained Earnings (Deficit)				
Balance, beginning	49,050,501	44,061,522	49,050,501	44,061,522
Net income(loss)	(4,109,011)	(4,132,761)	(4,109,011)	(4,132,761)
Balance, end	44,941,490	39,928,761	44,941,490	39,928,761
Minority Interest				
Balance, beginning	142,269,296	136,806,226	142,269,296	136,806,226
Share in net income(loss)	(808,482)	718,214	(808,482)	718,214
Balance, end	141,460,814	137,524,440	141,460,814	137,524,440
TOTAL EQUITY	1,635,119,394	1,626,170,291	1,635,119,394	1,626,170,291

CROWN EQUITIES, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the quarter ended		Year-to-date ended	
	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)	March 31 2009 (Unaudited)	March 31 2008 (Unaudited)
Cash Flows from Operating Activities				
Net (loss) income	(4,109,011)	(4,132,761)	(4,109,011)	(4,132,761)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	-	-	-	-
Interest income	(2,424,448)	(2,560,293)	(2,424,448)	(2,560,293)
Depreciation and amortization	1,345,188	640,130	1,345,188	640,130
Increase in value of marketable securities	-	-	-	-
Operating Income before working capital changes	(5,188,271)	(6,052,924)	(5,188,271)	(6,052,924)
Decrease (increase) in receivables and advances	7,771,275	15,978,814	7,771,275	15,978,814
Decrease (increase) in other current assets	(255,800)	(4,803,422)	(255,800)	(4,803,422)
Decrease (increase) in installment contracts receivable	(287,831)	-	(287,831)	-
Decrease (increase) in other non-current assets	(4,723,986)	1,590,266	(4,723,986)	1,590,266
Increase (decrease) in accts. payable and other current liab.	(15,459,741)	24,574,034	(15,459,741)	24,574,034
Increase (decrease) in due to related parties	(2,901,702)	(5,500,001)	(2,901,702)	(5,500,001)
	-	-	-	-
Cash generated from (used in) operations	(21,046,056)	25,786,767	(21,046,056)	25,786,767
Cash paid for income taxes	-	-	-	-
Net Cash Provided (used) by Operating Activities	(21,046,056)	25,786,767	(21,046,056)	25,786,767
Cash Flows from Investing Activities				
Decrease (increase) in investments in and adv. to related parties	(2,159,765)	(7,450,348)	(2,159,765)	(7,450,348)
Decrease (increase) in inventories	238,497	(54,412,067)	238,497	(54,412,067)
Decrease (increase) in investment in financial assets	(653,925)	(3,370,556)	(653,925)	(3,370,556)
Interest received	2,424,448	2,560,293	2,424,448	2,560,293
Decrease (increase) in property and equipment	(32,008,175)	125,080	(32,008,175)	125,080
Decrease (increase) in investment property	(2,568,718)	16,797,782	(2,568,718)	16,797,782
Net Cash Used in Investing Activities	(34,727,638)	(45,749,816)	(34,727,638)	(45,749,816)
Cash Flows from Financing Activities				
Increase (decrease) in minority interest	(808,482)	718,214	(808,482)	718,214
Repayments of due to related parties	-	-	-	-
Net Cash Provided by (Used in) Financing Activities	(808,482)	718,214	(808,482)	718,214
Decrease in Cash and Cash Equivalents	(56,582,176)	(19,244,835)	(56,582,176)	(19,244,835)
Cash and Cash Equivalents, Beginning	211,448,536	276,800,230	211,448,536	276,800,230
Cash and Cash Equivalents, End	154,866,360	257,555,395	154,866,360	257,555,395

CROWN EQUITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries as follows:

CEI Development Corp. (CEIDC);
Crown Central Properties, Corp. (CCPC);
CEI Properties, Inc. (CEIPI);
Ceres Holdings, Inc. (CHI) and its subsidiary, Ceres Property Venture, Inc. (CPVI);
Fort Bonifacio Medical Center, Inc. (FBMCI);
Parkfield Land Holdings, Inc. (PLHI); and
Healthcare Systems of Asia Phils., Inc. (HSAPI) and its subsidiaries Fortmed Medical Clinics Makati, Inc. (FMCMI), Fortmed Medical Clinics Sta. Rosa, Inc. (FMCSRI), HCS Medical Care Center Cavite, Inc. (HMCCCI)

after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment is recognized in the consolidated financial statements

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

Minority interests represent the interests not held by the Group in HSAPI, PLHI and CCPC.

The interim financial statements of the Group have been prepared in accordance with *Philippine Financial Reporting Standards* (PFRS) consistently applied by the Company and its subsidiaries and are consistent with those used in previous year.

2. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Company and its subsidiaries' operations which are not reflected in the accompanying financial statements.

3. OTHER INFORMATION

- a. The Company did not present segment information because, at present, the Company has only two segments (real estate) in operation. All other segments are not operating to date. Management believes that segment reporting is more appropriate to enterprises offering groups of products and services or operating in different geographical areas that are subject to differing rates of profitability, opportunities for growth, future prospects and risks that are relevant to assessing the risks and return of a diversified or multinational enterprise.
- b. There are neither unusual items affecting the financial statement accounts nor changes in estimates that have material effect in the current interim period.
- c. There has been no issuance, repurchases and repayments of debt and equity securities nor any declaration or payments of dividends.
- d. There have been no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

4. INCOME/(LOSS) PER SHARE

Income per share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the year. Income/(loss) per share amounts were computed as follows:

	As of March 31 2009	As of March 31 2008
Net Income (loss)	P (4,109,011)	P (4,132,761)
Divided by weighted Average number of Outstanding common shares	<u>13,599,999,960</u>	<u>13,599,999,960</u>
Income (loss) per share	<u>P (0.000302)</u>	<u>P (0.000304)</u>

Management's Discussion & Analysis of Financial Condition and Result of Operations

Discussions of Financial Condition and Changes in Financial Condition

	March 2009 (Unaudited)	Dec 2008 (Audited)	Increase/ (Decrease)	%age Change
Cash and cash equivalents	154.87	211.45	-56.58	-26.76%
Financial assets at fair value thru profit & loss	9.36	8.71	0.65	7.51%
Installment contracts receivable	39.24	38.95	0.29	0.74%
Receivables and advances	38.05	45.82	-7.77	-16.96%
Inventories	297.89	298.13	-0.24	-0.08%
Other current assets	11.92	11.67	0.26	2.19%
Non-current receivables	39.88	39.88		0.00%
Investments and advances to related parties-net	332.56	330.40	2.16	0.65%
Investment properties – net	769.76	767.19	2.57	0.33%
Property and equipment - net	115.15	84.48	30.66	36.29%
Goodwill	21.74	21.74		0.00%
Other non-current assets	40.62	35.90	4.72	13.16%
TOTAL ASSETS	1,871.04	1,894.32	-23.28	-1.23%
Accounts payable and other liabilities	113.56	129.02	-15.46	-11.98%
Due to related parties	77.25	80.15	-2.9	-3.62%
Subscriptions payable	42.16	42.16		
Retirement benefit obligation	2.95	2.95		
Shareholders' equity	1,493.66	1,497.77	-4.11	-0.27%
Minority interest	141.46	142.27	-0.81	-0.30%
TOTAL LIABILITIES & EQUITY	1,871.04	1,894.32	-23.78	-1.23%

Amounts in million pesos, except percentages.

Total Assets

Total assets for the end of first quarter of 2009 amounted to P1.87 billion, a net decrease of 1.23% from the ending balance of Dec 31, 2008. The decrease on total assets was brought about mainly by payment of liabilities.

Current Assets

Total current assets decreased by P63 million or roughly 10.31% of the 2007 level of P615 million. The decrease in the total current assets was mainly brought about by the utilization of cash for investments including investments in property and equipment. Although sales managed to create short term receivables, they are not significant enough to lift the level of current assets. Likewise, the improvement in financial asset values reflected only a 7.51% increase in its total value. These increases together with the increase prepaid items under other current assets were not able to cushion the impact of the 16.96% decrease in cash and cash equivalents. Cash was used in the repayment of various current liabilities, short term investment in marketable equity securities and advances to a subsidiary for the improvement of land holdings. Funds were likewise used to cover overhead expenses.

The reduction in receivables are mostly collection from customer accounts and from interest due including those from bank placements. Other current assets account is composed mostly of input taxes forming part of total current assets amounting to P551 million as of the first quarter of 2009.

Non-Current Assets

The non-current portion of the accounts receivable, which is mainly composed of accounts related to real estate sales, remained at P40 million in the first quarter of 2009. Palma Real and Cypress Towers continued to generate cash and most accounts remained active to meet the required payment threshold. On the other hand, investment properties recorded a net increase of one-third of 1% or P2.6 million. The company continue spending small amounts to cover titling costs for the properties in Sto. Tomas, Batangas and in Taguig City. The most significant movement in the non-current accounts is the increase in property and equipment by 36.29%. The increase, which is net of depreciation expense on equipment and leasehold improvements, represents costs incurred in the construction of a building that will mostly be spaces for lease. The building will also house the Corporations' and its subsidiaries' offices. More than P30 million has been spent on this investment over the first three months of the year. Total non-current assets amounted to P1.32 billion as of March 2009.

Liabilities and Stockholders' Equity

Total liabilities decreased by P18.36 million during the three-month period, down by 7.22% from the year-end 2008 level. The movement in liabilities mainly affected the current accounts which are mostly liabilities to property sellers. Almost 12% decrease in accounts payable was recorded pertaining to payments of accounts, net of some deposits for real estate reservations. On other hand, a portion of the advances made by the Company's joint venture partner in the Palma Real Project amounting to P2.9 million was paid thereby decreasing "due to related parties" account by 3.62%. Meanwhile, subscriptions payable and retirement obligations did not change during the period.

While total current liabilities amounted to P232.97 million and total non-current liabilities amounted to P2.95 million at the end of the first quarter of 2009, stockholders' equity decreased by less than one-third of a percent to P1.49 billion. Minority interest was likewise down by more than half a percent to P141.5 million.

Discussions on Results of Operation

Real estate sales pertain to the Palma Real and Cypress Towers projects, both a joint venture project of the Corporation, while sale of medical goods and services pertain to the business of Fortmed Medical Clinics .

There were no significant real estate sales reported during the first three-month period unlike in 2008 when Palma Real project generated a total revenue amounting to P7.15

million. On the other hand, the Fortmed Clinics reported a total sales of P10.6 million for the first quarter contributing to 74.36% of total revenues generated for the first quarter of 2009. On the other hand, interest income is lower by 5% compared with that of the 2008 income level due to a reduced cash balance despite the interest income generated from in-house real estate sales. There were no significant revenue generated from financial assets as the stock market was bearish during the period. All in all, revenues from the clinic operations mainly brought total revenues to P14.3 million, almost 37% higher than the first quarter 2008 level of P10.5 million. Other income for the first quarter of 2009 includes management fee charged against Crown Central Properties Corp. and dividend income and unrealized foreign currency appreciation which are immaterial in sum.

Account (P'000)	March 31 YTD 2009 (Unaudited)	March 31 YTD 2008 (Unaudited)
Real estate sales	354	7,147
Sale of medical goods & services	10,665	n.a.
Interest income	2,424	2,560
Other income	899	769
Cost of sales & services	4,941	4,868
Employee compensation and benefits	3,538	941
Other costs and expenses	10,781	8,081
Net income (loss)	(4,917)	(3,415)

Cost of sales and services, which include marketing costs, amounted to P3.45 million, down by almost 20% from the P4.3 million in 2008. Commission cost charged by the marketing group handling the projects was likewise higher by P900 thousand as against the P566 thousand in 2008. Total operating costs and expenses for the current period reached P19.2million, a significant portion of which represents costs of clinic operation.. Included in the 2008 first quarter amount is the cost of listing at the Philippine Stock Exchange the replacement shares resulting from the capital restructuring amounting to P1.52 million.

After deducting the share of minority interests, net loss for the three-month period of 2009 amounted to P4.9million, translating to negative earnings per share of P0.000302. This is higher than the loss per share for the same period in 2008 of P0.00008 per share.

Key Performance Indicators

The Company measures its performance based on the utilization of assets and the return on its investments. However, as of March 31, 2009, most of its investments are in ventures that are still at pre-operating stages.

Investment ratio, which indicates the proportion of total assets invested in various ventures including land banking, went up from 0.58 at year-end 2008 to 0.59 as of March 31, 2009. The Company made a few additional investments during the period, particularly to improve the condition of the properties acquired.

Indicator	As of		Formula
	Mar 2009	Dec 2008	
Investments Ratio	0.59	0.58	$\frac{\text{Total Investment and Advances}}{\text{Total Assets}}$
Current Ratio	2.37	2.45	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt Ratio	0.13	0.13	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$
	Year to date		
	Mar 2009	Mar 2008	
Return on Assets	(0.002)	(0.002)	$\frac{\text{EBIT}}{\text{Total Assets}}$
Loss Per Share	(0.0003)	(0.0003)	$\frac{\text{Net Income}}{\text{Total Shares Subscribed}}$

Current ratio on the other hand, went down from 2.45x at year-end 2008 to 2.371x in March 31, 2009. This was due primarily to the decrease in liquid assets utilized for the investment in property and equipment.

Due to the decrease in outstanding obligations pertaining to acquired properties, total liabilities decreased by 7.22% while total assets decreased by 1.23%. This resulted to a steady debt ratio of 0.13x in both first quarter-end 2008 and 2009.

Meanwhile, as the Company realized a net loss from operations, return on assets registered a negative 0.002 in the three-month period of 2009 compared with an almost similar negative return on assets of 0.002 for quarter ending March 31, 2008. Consequently, on a per share basis, the Company registered a net loss of Php0.0003 for the current period compared to the P0.0003 earnings for the same period last year.

PART II - OTHER INFORMATION

There are no information not previously reported in a report on SEC Form 17-C that will be reported under this section.

The Corporation and its subsidiaries have neither issued nor invested in any financial instruments or complex foreign securities that will make them susceptible to the effects of the current 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 local equities market reported as "Financial Assets at Fair Value Through Profit and Loss" in its Balance Sheet. But this exposure is insignificant being less than one percent of the Corporation's total asset base. Moreover, these investments in the local stock market 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.

Management 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 nor it is aware of any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation and 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.

CROWN EQUITIES, INC.

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

HELD ON JUNE 24, 2008

**MINUTES OF THE ANNUAL SHAREHOLDERS' MEETING
OF
CROWN EQUITIES, INC.**

Held at Dasmariñas Room, Makati Sports Club
1227 Leviste Street corner Gallardo Street
Salcedo Village, Makati City
on June 24, 2008 at 4:00 p.m.

<u>STOCKHOLDERS PRESENT / REPRESENTED</u>	<u>NO. OF SHARES</u>	<u>PERCENTAGE</u>
TOTAL	10,099,367,116	74.26%

DIRECTORS PRESENT

Mr. George L. Go	-	Chairman of the Board
Mr. Antonio B. Alvarez	-	Treasurer
Mr. Andres N. Borja	-	Director
Mr. Isidro A. Consunji	-	Director
Mr. Patrick D. Go	-	Director
Mr. Edilberto V. Javier	-	Director
Mr. Eugene B. Macalalag	-	Director
Mr. Victor C. Macalincag	-	Director
Mr. Conrado G. Marty	-	Director
Mr. Ramon A. Recto	-	Director
Mr. David O. Chua	-	Director

PROCEEDINGS

I. CALL TO ORDER

The Chairman, Mr. George L. Go, called the meeting to order and presided over the same. Atty. Elmer B. Serrano, the Corporate Secretary, recorded the minutes of the proceedings.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that notices of the meeting together with the agenda and the Definitive Information Statement of the Corporation were sent beginning June 5, 2008 to stockholders of record as of April 30, 2008 by personal delivery and by mail with postage pre-paid as well as published each in The Philippine Star on June 24, 2008. The Corporate Secretary certified that there was a quorum to transact business with 10,099,367,116 common shares, or 74.26%, present or represented by proxy of the total outstanding capital stock of the Corporation as of record date April 30, 2008.

III. APPROVAL OF MINUTES OF 2007 ANNUAL STOCKHOLDERS' MEETING

The Chairman presented for approval the Minutes of the Annual Stockholders' Meeting held on August 28, 2007. Upon motion duly made and seconded, the stockholders unanimously approved the Minutes of the Stockholders' Meeting on August 28, 2007:

“RESOLVED, that Crown Equities, Inc. (“Corporation”) hereby approves the Minutes of the Annual Stockholders Meeting held on August 28, 2007.”

IV. REPORT ON OPERATIONS

The Chairman asked the Vice President for Finance and Administration and Compliance, Mr. Eugene B. Macalalag, to report on the operations of the Corporation for fiscal year 2007 (Please see page 12 of the Definitive Information Statement for complete report on operations) and on the Audited Financial Statements as of December 31, 2007 (Please see page 29 of the Definitive Information Statement for the Audited Financial Statements).

The Chairman presented for approval the Report on Operations and the Audited Financial Statements as of December 31, 2007. Upon motion duly made and seconded, the stockholders unanimously approved the Report on Operations and the Audited Financial Statements:

“RESOLVED, that the stockholders hereby approve the Report on Operations and the Audited Financial Statements of the Corporation as at December 31, 2007 prepared by the External Auditor, Punongbayan & Araullo.”

V. APPROVAL AND RATIFICATION OF ALL ACTS OF THE BOARD AND MANAGEMENT FOR THE FISCAL YEAR 2007

The Chairman presented for approval the acts and proceedings of the Board of Directors and the Corporate Officers for the Fiscal Year 2007, including, among others: (1) the grant of authority to the Executive Committee to deal with assets of the Corporation in non-core businesses that do not exceed 10% of the Corporation's total assets. “Non-core businesses” shall mean businesses and investments other than (a) real estate; and (b) healthcare services; (2) the Executive Committee approved the sale of the Corporation's 170,000,000 shares in the capital stock of MTD Manila Expressways, Inc. under terms and conditions favorable to the Corporation; and (3) the designation of Director Andres N. Borja as the Corporation's representative for the construction and development of the Corporation's new headquarters at 158 Jupiter Street corner N. Garcia (Reposo) Street, Barangay Bel-Air, Makati City. Upon motion duly made and seconded, the stockholders unanimously approved and ratified the acts and proceedings of the Board of Directors and Corporate Officers:

“RESOLVED, that the stockholders hereby approve all the acts and proceedings of the Board of Directors, Management and the Corporate Officers for the Fiscal Year 2007.”

VI. ELECTION OF DIRECTORS

The Chairman of the Nomination Committee, Mr. Wilfrido V. Vergara, apprised the stockholders of the nominees for the members of the Board of Directors, namely:

1. George L. Go
2. Edilberto V. Javier
3. Patrick D. Go
4. Antonio B. Alvarez
5. Jerry C. Angping
6. Wilfrido V. Vergara
7. Isidro A. Consunji
8. Ramon A. Recto (Independent Director)
9. Eugene B. Macalalag
10. Andres N. Borja
11. Victor C. Macalincag (Independent Director)
12. Conrado G. Marty
13. Oscar P. Lopez-Dee
14. David O. Chua

The Chairman informed the shareholders that per the By-Laws of the Corporation, nominations not submitted prior to the meeting and nominees whose qualifications have not been passed upon are disallowed. He therefore closed the nominations.

Upon motion duly made and seconded, the Chairman directed the Corporate Secretary to cast all votes present and represented in favor of the nominees. The nominees were elected as directors for a term of one (1) year or until their successors are duly elected and qualified. Upon motion duly made and seconded, the following resolution was approved:

“RESOLVED, that the following persons be as they are hereby elected Directors of Crown Equities, Inc.:

1. George L. Go
2. Edilberto V. Javier
3. Patrick D. Go
4. Antonio B. Alvarez
5. Jerry C. Angping
6. Wilfrido V. Vergara
7. Isidro A. Consunji
8. Ramon A. Recto (Independent Director)
9. Eugene B. Macalalag
10. Andres N. Borja
11. Victor C. Macalincag (Independent Director)
12. Conrado G. Marty
13. Oscar P. Lopez-Dee
14. David O. Chua

to serve for the year 2008 – 2009 or until their successors are duly elected and qualified.”

VII. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman opened the floor for the nomination and election of the Corporation's External Auditor. Punongbayan & Araullo was nominated as External Auditor. There being no other nominations, the Chairman closed the nomination. Punongbayan & Araullo was elected to the foregoing position. Upon motion duly made and seconded, no objections having been registered, the shareholders unanimously approved the following resolution:

“RESOLVED, that Punongbayan & Araullo (“P&A”) is hereby appointed as the external auditor of Crown Equities, Inc. for the calendar year 2008.

RESOLVED FURTHER, that the President is hereby authorized to negotiate for the terms of P&A's engagement and to sign, execute and deliver any and all documents and to do any and all acts necessary to implement the foregoing resolution.”


VIII. OTHER MATTERS

There were no other matters discussed during the meeting.

IX. ADJOURNMENT

There being no further business to transact, the meeting was, on motion made and duly seconded, adjourned.

Certified Correct:



ELMER B. SERRANO
Corporate Secretary

Attested by:



MR. GEORGE L. GO
Chairman