

COVER SHEET

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S.E.C. Registration Number

C R O W N A S I A C H E M I C A L S  
C O R P O R A T I O N

(Company's Full Name)

K M 3 3 M C A R T H U R H I G H W A Y  
B O T U K T U K A N G U I G U I N T O B U L A C A N

TITA P. VILLANUEVA

Contact Person

4 1 3 8 0 3 2

Company Telephone Number

1 2

Month Day

3 1

Fiscal Year

SEC FORM 17- A

FORM TYPE

0 5

Month Day

0 9

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3 0

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_

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Document I.D.

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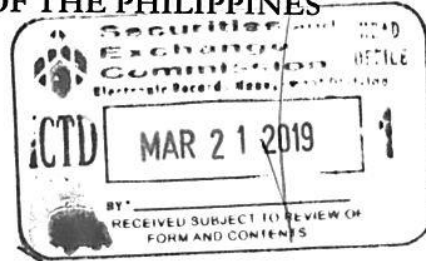
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STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED  
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year: December 31, 2018
2. SEC Identification number: 159950
3. BIR Tax Identification No: 025-240-902-000
4. Exact name of issuer as specified in its charter: CROWN ASIA CHEMICALS CORPORATION
5. Province, country or other jurisdiction of incorporation or organization: Metro Manila
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office: Km 33 Mc Arthur Highway Bo. Tuktukan Guiguinto, Bulacan  
  
Postal Code: 3015
8. Issuer's telephone number, including area code: (632) 413-80-32
9. Former name, former address and former fiscal year, if changed since last report: Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of each Class | Number of shares of common stock outstanding       |
|---------------------|--|
| <b>Common stock</b> | <b>630,800,000</b>                                 |
|                     | Amount of Debt Outstanding as of December 31, 2018 |
|                     | <b>P 240,005,675</b>                               |

11. Are any or all of the securities listed on a Stock Exchange?

Yes [ / ] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**The Philippine Stock Exchange, Inc.**

**Total of 630,800,000 common shares with par value of P1.00 per share**

12. Indicate by check mark whether the registrant:

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

Yes [ / ] No [ ]

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

Yes [ / ] No [ ]

13. Aggregate value of the voting stock held by public:

**The aggregate market value of the 265,041,999 voting stock held by non-affiliates (public shares) as of December 31, 2018, computed based on the closing share price of P 1.80 per share as of December 31, 2018 is P477,075,598.20.**

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

### **Item 1. Business**

The Company was incorporated and registered with the SEC on February 10, 1989 as Crown Asia Compounders Corporation. On September 29, 2014, the SEC approved the change of the Company's name to "Crown Asia Chemicals Corporation". Its primary purpose is to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail such goods as; plastic and/or synthetic resins and compounds and other allied or related products/goods of same/similar nature, and any and all equipment, materials supplies used or employed in or related to the manufacture of such products. Its registered address and principal place of business is at Km. 33 MacArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan, Philippines.

The Company started commercial operations in 1990 with the trading of imported PE compounds and paraffin waxes. In the same year, the Company started the production and sales of PVC compounds at its plant in Guiguinto, Bulacan.

Capitalizing on its expertise in PVC formulation, CROWN expanded downstream into the manufacture of industrial plastic pipes under the CROWN<sup>®</sup> pipes brand for electrical, sanitary, potable water, and telecommunications applications.

In 1998, the Company began the production of PVC flexible electrical pipes. Soon after, the Company's range of product lines expanded further with the introduction of PVC electrical conduit pipes and potable water pipes in 2000, and sanitary pipes and fittings in 2002.

In 2003, CROWN saw the opportunity to expand the application of its PVC compounds beyond wires and cables. It started to develop and market PVC compounds for use in IC packaging tubes, films and bottles, as well as door and window profiles.

The Company also has expanded its lines to include pressure main distribution pipes and telecommunication conduit pipes in 2006.

On April 27, 2015, Crown Asia Chemicals Corporation was listed at the Philippine Stock Exchange (PSE).

In August 2015, the Company commenced production of its PPR and HDPE pipe products.

In February 2016, the Company started manufacturing its Enduro pipes.

In December 2017, the company started test operation of its PVC roof materials.

In 2018, the Company completed its PVC Roofing plant.

In December 2018, the Board approved the Shares Buy-back program.

## **PRODUCT LINES**

### **PVC COMPOUNDS**

#### **Wires and Cables**

CROWN's Wire and Cable PVC compounds are developed to comply with PNS and International Standards like Restriction of Hazardous Substances ("RoHS"). CROWN has been able to provide high standard PVC compounds for specific applications including flame retardant compounds, high insulation resistance compounds, CT-rated and low smoke emitting compounds and sunlight/UV resistant compounds.

#### **IC Tubes**

CROWN's IC Tube PVC compounds are specially designed to protect IC chips.

#### **Films**

CROWN's Film PVC compounds are developed for cap seals, shrink films, labels, and other packaging applications.

### **PVC PIPES AND FITTINGS**

#### **Crown Blue**

Crown Blue is the Company's PVC potable pipes and fittings. The Company's potable pipes and fittings are assured to be extra strong and safe, high pressure resistant, non-corrosive, has smooth internal and external surfaces, and made from 100.00% virgin materials.

#### **Crown Electrical**

Crown Electrical is the Company's line for PVC electrical conduit pipes. The Company's electrical conduit pipes are assured to be self-extinguishing, highly flame-retardant, has excellent insulation resistance properties, uniform wall thickness, diameter, and color, smooth interior and exterior surfaces, and made from 100.00% virgin materials.

The Company offers two (2) types of electrical pipes, namely the Crown Supreme, which is the high impact thick wall electrical pipe, and Crown Hi-Tech, which is the thin wall electrical pipe.

#### **Crownflex**

Crownflex is the Company's line for PVC flexible electrical pipes. The Company's flexible pipes are UV protected, characterized by its strength, convenience, flexibility, and high safety standard, especially against weather elements. It has uniform wall thickness and diameter and is impact and crash-resistant. It is made with high grade PVC material, self-extinguishing, highly resistant to flame, and has uniform material distribution to avoid breakage.

#### **Crown Sanitary**

Crown Sanitary is the Company's line for Drain-Waste-Vent ("DWV") PVC sanitary pipe. The Company's DWV sanitary pipes are UV protected, characterized by its durability and quality, especially against weather elements. These pipes are available in three (3) categories, namely Series 500, which is thin wall, Series 600, which follows ASTM, and Series 1000, which also follows ASTM. Crown Pressure Main Blue and Wide-diameter Pipes

The Company's PVC pipe product used for high pressure waterworks, irrigation, and infrastructures. In buildings, it is the conduit by which water source from the government passes into the building reservoir or pipelines.

#### Crown Telecom

The Company's PVC pipe product used as conduit by which telecommunications wiring passes through to reach the telecom outlet site.

#### Crown Universal

Crown Universal is the Company's multi-purpose PVC pipe with thin wall. These pipes do not conform to BPS standards and are intended for temporary usage during the early stages of construction. These pipes are lower priced but are yet characterized by its strength and durability.

#### Enduro Pipes

Durable pipes for the economically conscious consumers for mass and midcost housing usages.

#### HDPE PIPES AND FITTINGS

CROWN HDPE is characterized by its toughness and flexibility, chemical resistance with thermal properties, weather and environmental stress resistance, non-corrosive properties, and high flow capacities.

The Company's brands under its HDPE pipe products are CROWN Fuerza with a PE 100 designation and CROWN Sigma with PE 80. These designations are based on the long-term strength of its materials, known as the minimum strength requirement (MSR).

#### PP-R PIPES AND FITTINGS

PP-Rs or Polypropylene random copolymers are thermoplastic resins produced through the polymerization of propylene, with ethylene links introduced in the polymer chain. Because of its chemical features and fusion welding, PP-Rs are most reliable in plumbing and water supply plants, and ensures a substantially better seal tight system. They are also eco-friendly with no heavy metal content such as lead.

Crown Asia Chemicals Corporation is the first in the Pipe Industry to produce full range of PPR fittings.

#### PVC ROOF MATERIALS

The new Crown Roofing is high impact-resistant and has the strength and durability that can withstand tough loads, will not easily flatten, get distorted, crack or break. It successfully passed both the impact resistance and flattening tests performed by QA engineering in line with accepted industry standards.

It is built with UV Protection, an important component that prevents premature aging, weakens the roofing material and cause brittleness. Climate variability exacerbate material degradation by increased dosage of harmful ultra-violet rays. Moreover, it is highly resistant to extreme weather conditions and will not crack or disintegrate when exposed to chemical compounds like acetone.

This contemporary roofing material is non-corrosive and won't rust, making them ideal for structures in areas near or by the sea. Their versatile applications cover commercial, industrial and manufacturing structures such as factories, warehouses, wharfs and seaports.

Crown responds to the country's housing needs and infrastructure development by providing an all-weather, cool roofing solution. The brand produces three roofing profiles, namely, corrugated, rib and tile types, in commercial lengths of 8, 10 and 12 feet. Volume requirements for long span cool roof in transportable length are accepted by special order.

## **Management of Key Risks related to the Company**

### *Risks relating to the Company and its Business*

- **Raw Material Cost and Availability**

The Company's margins depend on the selling prices that the Company is able to charge for its products and the costs of the raw materials and other inputs that it requires to produce these products. The primary raw materials that the Company utilizes in the manufacture of its products include PVC resins, polymers, stabilizers, and plasticizers. The prices of these primary raw materials represent a substantial portion of the Company's manufacturing costs. The price of these raw materials are influenced by factors that the Company cannot control, such as market conditions, general global economic conditions, production capacity in the markets, production constraints on the part of the Company's suppliers, fluctuations in oil or other commodity prices, infrastructure failures, political conditions, weather conditions, regulations and other factors.

To protect itself against adverse movements in the prices of raw materials, the Company maintains a raw materials inventory equivalent to around 45-60 days of production. In the event that any of the Company's suppliers is subject to a major production disruption or is unable to meet its obligations under existing supply arrangements, the Company can purchase such inputs from any of its other accredited local and foreign suppliers that the Company had already dealt with in the past. The Company also has a list of approved alternative materials that can substitute the raw materials it currently uses.

- **Operating or Process Failures and Quality Assurance**

PVC pipes dominate the plastic pipes market with significant application in the construction and building industry. Given the increasing competition in plastic pipes market, the quality of the



products will need to adhere to certain standards to ensure its reliability and effectiveness, such as ISO and BPS.

Any problems that the Company may incur in relation to the quality of its products can affect how the Company's customers perceive its products. This situation could have a material adverse effect on the Company's business, operations, and financial condition.

The Company has established quality assurance and control procedures for both its Compounds and Pipes Groups. It has dedicated quality assurance laboratories and competent and professional staff for each of its quality assurance departments in the Compounds and Pipes Group. In addition, for its Pipes Group, CROWN pipes undergo additional testing externally through the project-clients' technical consultants and/or accredited independent laboratories.

In the Company's continuing commitment to maintain the highest level of quality in its operations and products, the Company owns and continues to update its ISO certifications, certifying that CROWN operates a quality management system that has been assessed as conforming to ISO 9001:2008 for the manufacture and distribution of both compounds and PVC products. The company's Compounds Division is already assessed as conforming to ISO 9001:2015 while Pipe Group is in the process to upgrade its certification to ISO 9001:2015.

- **Power Shortages**

The Company has been relying primarily on mainstream power for the production of compounds, PVC pipes, PPR/HDPE pipes and PVC roof materials that requires a significant amount of stable power load for its operations.

Any downtime of the Company's operations over an extended period, due to power interruptions, would have adverse effect on the Company's business, operations, and financial condition.

At present, the Company has a standby generator set to partially address the prospective power shortage that will affect the country. The Company is also assessing the purchase and installation of additional standby generator sets to increase its auxiliary power capacities in the event of power outages.

- **Imitation or Infringement of the Company's Intellectual Property Rights**

In the event that the Company's trademarks under license are imitated or otherwise infringed, the Company's reputation and business may be adversely affected.

The Company has its legal team that can handle any infringement and take legal action should a litigation matter arise. Furthermore, the Intellectual Property Office closely coordinates with the National Bureau of Investigation (NBI), which apprehends infringement violators, thus the Company believes that infringement cases, if any, can be easily resolved.

### *Risks relating to the Philippines*

- **Change in Political or Social Instability in the Philippines**

The Philippines has from time to time experienced political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business.

The Philippines has a presidential system that changes the country's chief executive every six (6) years which may cause changes in the political, economic and social policies.

- **Volatility in the Value of Peso against the US Dollar and other Currencies**

Historically, the Philippines has experienced volatility in the exchange rate between the Philippine peso and the U.S. dollar, as well as against other currencies.

The Company's foreign exchange earnings are used to meet its importation requirements.

- **Occurrence of Natural Calamities**

The Philippines has experienced a significant number of major natural calamities over the years, including typhoons, volcanic eruptions and earthquakes.

The Company completed its flood control system in the Bulacan plant to ensure that production will not be disrupted and assets and inventories will be protected.

### **Item 2. Properties**

The Company owns the following properties covered by individual tax declarations issued under its name in Km. 33 Mac Arthur Highway Bo. Tuktukan, Guiguinto, Bulacan where the manufacturing plant is located.

In 2016, the Company acquired a 5,462 sqms lot where the PPR/HDPE production and warehouse facilities are located.

#### *Lands*

| <b>Tax Declaration Number</b> | <b>Area</b> | <b>Classification</b> |
|-------------------------------|-------------|-----------------------|
|-------------------------------|-------------|-----------------------|

|                  |                 |            |
|------------------|-----------------|------------|
| 2018-09014-01623 | 5,462.00 sqm    | Industrial |
| 2018-09014-01624 | 892.00 sq.m.    | Industrial |
| 2018-09014-01626 | 3,214.00 sq.m.  | Industrial |
| 2018-09014-01628 | 6,415.00 sq.m.  | Industrial |
| 2018-09014-01634 | 2,888.00 sq.m.  | Industrial |
| 2018-09014-01704 | 11,935.00 sq.m. | Industrial |

### *Buildings and Improvements*

| <b>Tax Declaration Number</b> | <b>Area</b>    | <b>Classification</b>  |
|-------------------------------|----------------|------------------------|
| 2018-09014-01625              | 140.00 sq.m.   | Industrial             |
| 2018-09014-01627              | 2,184.00 sq.m. | Industrial             |
| 2018-09014-01629              | 1,150.50 sq.m. | Industrial             |
| 2018-09014-01635              | 1,980.00 sq.m. | Industrial             |
| 2018-09014-01636              | 500.00 sq.m.   | Industrial/Residential |
| 2018-09014-01705              | 2,835.00 sq.m. | Industrial             |
| 2018-09014-01706              | 468.00 sq.m.   | Industrial             |
| 2018-09014-01707              | 3,276.00 sq.m. | Industrial             |

The properties (lands, buildings and improvements) are neither subject of any mortgage, lien, or encumbrance nor limitations on its ownership or usage.

### **Trademarks and Copyrights**

The Company has various trademarks registered with the Intellectual Property Office, as follows:

| <b>CROWN's Trademarks Under License</b>      |                            |                             |                    |
|--|----------------------------|-----------------------------|--------------------|
| <b>Registered Trademark</b>                  | <b>Registration Number</b> | <b>Date of Registration</b> | <b>Valid Until</b> |
| TECHNOVINYL & CROWN DEVICE WITHIN THE CIRCLE | 4-1997-123430              | February 10, 2003           | February 10, 2023  |
| HI TECH WITH CROWN LOGO                      | 4-2005-006473              | October 23, 2006            | October 23, 2026   |
| PETROVIN & CROWN DEVICE                      | 4-2006-010314              | July 30, 2007               | July 30, 2027      |
| CROWN UNIVERSAL                              | 4-2006-013658              | August 13, 2007             | August 13, 2027    |
| ENDURO WITH CROWN DEVICE                     | 4-2006-012499              | August 20, 2007             | August 20, 2027    |
| CROWN  | 4-2006-013655              | August 11, 2008             | August 11, 2028    |
| CROWN BLUE                                   | 4-2006-013656              | August 11, 2008             | August 11, 2028    |
| CROWN FLEX                                   | 4-2006-013657              | August 11, 2008             | August 11, 2028    |
| CROWN SUPREME                                | 4-2006-013659              | October 13, 2008            | October 13, 2028   |
| CROWN EXTREME                                | 4-2010-011168              | February 24, 2011           | February 24, 2021  |
| CROWN HYDRO-PLUS                             | 4-2014-00003801            | August 7, 2014              | August 7, 2024     |
| CROWN HYDRO-FLEX                             | 4-2014-00003802            | August 7, 2014              | August 7, 2024     |
| CROWN HYDRO-TECH                             | 4-2014-00003804            | September 18, 2014          | September 18, 2024 |
| CROWN RED AND GREEN                          | 4-2014-00004482            | December 11, 2014           | December 11, 2024  |

|                   |                 |                   |                   |
|-------------------|-----------------|-------------------|-------------------|
| CROWN FUERZA      | 4-2014-00007463 | February 12,2015  | February 12, 2025 |
| CROWN SIGMA       | 4-2014-00007464 | February 12, 2015 | February 12, 2025 |
| CROWN CorrWave    | 4-2017-011461   | November 23,2017  | November 23, 2027 |
| CROWN ClearBright | 4-2017-011460   | December 17,2017  | December 17, 2027 |
| CROWN StrongRib   | 4-2017-011462   | December 17,2017  | December 17, 2027 |
| CROWN SmartRoof   | 4-2017-011464   | December 17,2017  | December 17, 2027 |
| CROWN TileTech    | 4-2017-011465   | December 17,2017  | December 17, 2027 |
| CROWN HeatProtect | 4-2017-011463   | April 26, 2018    | April 26, 2028    |

The Company has a team that handles renewal of trade registrations.

### **Item 3. Legal Proceedings**

There are no pending legal proceedings to which the Company is a party or of which any of its properties is the subject up to the time of the preparation of this report.

#### **Involvement in Legal Proceedings**

To the best of the Company’s knowledge, there has been no occurrence during the past five (5) years up to this date of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

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

There were no matters submitted to a vote of security holders during the period covered by this report.

## **PART 11 – OPERATIONAL AND FINANCIAL INFORMATION**

### **Item 5. Market for Issuer’s Common Equity and Related Stockholders Matters**

- (1). The Company common shares were listed at the Philippine Stock Exchange (PSE) on April 27, 2015 and traded in the First Board.

Full year high and low prices from January 01, 2018 to December 31, 2018 are as follows:

|      |        |
|------|--------|
| High | P 2.21 |
| Low  | P 1.32 |

As at December 31, 2017, based on closing price of P 1.80 per share, the market capitalization of the common shares of the company was P 1,135,440,000.00

- (2). Total shares outstanding as of December 31, 2018 was 630,800,000 shares with a par value of P 1.00 per share.
- (3). The top 15 shareholders as of the same date are:

| Name                                | Number of Shares Held | % to total outstanding |
|-------------------------------------|-----------------------|------------------------|
| 1 PCD Nominee – Fil                 | 197,321,696           | 31.28%                 |
| 2 Eugene H. Lee Villanueva          | 94,560,000            | 14.99%                 |
| 3 Walter H. Villanueva              | 70,920,000            | 11.24%                 |
| 4 Christie T. Perez                 | 47,280,000            | 7.49%                  |
| 5 Nicasio T. Perez                  | 47,280,000            | 7.49%                  |
| 6 Tita P. Villanueva                | 47,280,000            | 7.49%                  |
| 7 Sofia P. Po                       | 23,640,000            | 3.74%                  |
| 8 Meda T. Perez                     | 23,640,000            | 3.74%                  |
| 9 Gloria P. Go                      | 23,640,000            | 3.74%                  |
| 10 Oscar T. Perez                   | 23,640,000            | 3.74%                  |
| 11 Elizabeth P. Lee Villanueva      | 11,820,000            | 1.87%                  |
| 12 Derrick P. Villanueva            | 4,812,000             | 0.76%                  |
| 12 Natalie Lee Villanueva Penaranda | 3,940,000             | 0.62%                  |
| 13 Warren Michael P. Lee Villanueva | 3,940,000             | 0.62%                  |
| 14 Johanns P. Lee Villanueva        | 3,940,000             | 0.62%                  |
| 15 PCD Nominee – Non Fil            | 2,654,002             | 0.42%                  |

### **Dividends and Dividend Policy**

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property is subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders that own at least two-thirds ( $\frac{2}{3}$ ) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

On March 4, 2014, the Board of Directors of the Company approved its dividend policy wherein it shall distribute to its stockholders as dividends, whether cash, property or stock, at least ten percent

(10.00%) of the Company's net income after tax for the previous fiscal year, subject to the provision of sufficient funds for the implementation of the Company's business plan, operating expenses and budget, appropriation for expansion projects (as applicable), lenders' requirements, appropriate reserves and applicable laws.

From 2016 to 2018, the Company declared cash dividends as follows:

| <b>Cash Dividend Payout: 2016 – 2018</b> |                         |                    |                     |               |  |                      |
|--|-------------------------|--------------------|---------------------|---------------|--|----------------------|
| <b>Year</b>                              | <b>Declaration Date</b> | <b>Record Date</b> | <b>Payment Date</b> | <b>Amount</b> | <b>Cash Dividends per Share</b>        | <b>Dividend Rate</b> |
| 2016                                     | April 25, 2016          | May 10, 2016       | May 27, 2016        | 31,540,000    | ₱0.018<br>regular<br>P0.032<br>special | 31.49%               |
| 2017                                     | February 24, 2017       | April 12, 2017     | May 10, 2017        | 25,232,000    | ₱0.04                                  | 49.55%               |
|  |                         | June 26, 2017      | July 11, 2017       | 31,540,000    | ₱0.05                                  |                      |
| 2018                                     | March 09, 2018          | April 12, 2018     | May 9, 2018         | 25,232,000    | ₱0.04                                  | 48.48%               |
|  |                         | June 26, 2018      | July 11, 2018       | 31,540,000    | ₱0.05                                  |                      |

## **Item 6. Management's Discussion and Analysis of Results of Operations and Financial Condition**

### **FY 2018 versus 2017**

#### ***1. Results of Operations***

***Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2018 compared to the Statement of Comprehensive Income for the period ended December 31, 2017 (increase/ decrease of 5.00% or more)***

#### **Revenues**

For the period ended December 31, 2018, revenues decreased from ₱1,255.30 million in 2017 to ₱ 1,187.19 showing a decrease of 5.43% due to decrease in export sales and slower infrastructure projects.

#### **Cost of Goods Sold**

Cost of goods sold also decreased by 5.8% from ₱ 907.32 million to ₱ 854.65 million in relation to the decrease in revenues.

### Gross Profit and Gross Profit Margin

Gross profit decreased from ₱ 347.98 million for the year 2017 to ₱332.53 million for the year 2018, equivalent to a 4.44% decrease. The gross profit margin improved from 27.72% to 28.01% for the year 2018.

### Other Operating Expenses

Other operating expenses decreased by 6.81% from ₱179.26 million for the year 2017 to ₱167.06 million in 2018 due to decrease in selling, marketing and rent expenses.

### Other Income (Charges)

In 2018, it resulted to Other Income –net for P 2.74 million compared with Other charges-net of P 0.74 million in 2017, due to net foreign currency gains and effect of adoption of PFRS 9, net of impairment loss on application for VAT refund.

## **11. Financial Condition**

### ***Material Changes to the Statement of Financial Position as at December 31, 2018 compared to the Statement of Financial Position as at December 31, 2017 (increase/decrease of 5.00% or more)***

#### Cash and Cash Equivalents

Cash and cash equivalents decreased by P9.58 million or 10.53% to ₱ 81.39 million as at December 31, 2018 from ₱90.96 million as at year-end 2017 due to payment of cash dividends, purchases of raw materials, acquisitions of new machineries and equipments and advance payment for future purchase of lot.

#### Trade and Other Receivables-net

Trade and Other Receivables-net decreased by P28.82 million or 12.28% to ₱ 205.92 million as at December 31, 2018 from ₱234.74 million as at year-end 2017 due to stricter credit and collection policies and provision for impairment on application for VAT refund.

#### Inventories

Inventories increased by P88.15 million or 23.85% from P369.55 million to P457.7 million primarily due to additional purchases of raw materials to hedge against price volatility and also due to start of production of PVC roof division.

### Prepayment and Other Current Assets

Prepayment and other current assets increased by P17.58 million or 19.88% from ₱88.41 million to ₱105.98 million due to the increase in input VAT from purchases and application for VAT refund.

### Other Non-current Assets

Other non-current assets increased by P26.24 million or 120.67% from ₱21.75 million to ₱48.0 million due to advance payment on future purchase of land.

### Trade and Other Payables

This account increased by P34.98 million or 24.89% from ₱140.56 million as at year end 2017 to ₱175.55 million by year-end 2018 due to more purchases of raw materials at longer suppliers' credit terms and purchase of machineries.

### Loans and Mortgage Payable

This account increased by P28.14 million or 1,605.93% from P1.75 million to P29.89 million due to release of bank loans for working capital requirements.

### Income tax payable

Income tax payable decreased by 15.27% from ₱6.0 million to P5.09 million due to lower tax payable from annualized computation of regular income tax due for 2018.

### Mortgage Payable

Mortgage payable increased by 45.91% from P2.48 million to P3.62 million due to release of vehicle loan for purchase of delivery equipments.

### Deferred Tax Liability-net

This account decreased by 9.12% from P1.98 million from P21.66 million to P19.68 million due to the effect of adoption of PFRS 9.

### Post Employment Defined Benefit Obligation

This account decreased by P 3.14 million or 33.90% from P 9.27 million to P 6.12 million due to actuarial valuation decrease as at December 31, 2018 valuation date.

### Retained Earnings

As at December 31, 2018, retained earnings increased by 18.74% from ₱276.51 million as at year-end 2017 to ₱328.31 million as at year- end 2018. The net increase is primarily due to the net profits after tax reported for the year amounting to ₱117.60 million



### III. Key Performance Indicators

| <b>LIQUIDITY RATIOS</b>      |                          |                          |
|------------------------------|--------------------------|--------------------------|
| <b>Key Indicators</b>        | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
| Current ratio                | 4.04 : 1.00              | 5.28 : 1.00              |
| Acid test ratio              | 1.36 : 1.00              | 2.20 : 1.00              |
| Book value per share         | 1.70                     | 1.62                     |
| <b>SOLVENCY RATIOS</b>       |                          |                          |
| <b>Key Indicators</b>        | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
| Debt to equity ratio         | 0.22 : 1.00              | 0.18 : 1.00              |
| Asset to equity ratio        | 1.22 : 1.00              | 1.18 : 1.00              |
| <b>PROFITABILITY RATIOS</b>  |                          |                          |
| <b>Key Indicators</b>        | <b>December 31, 2018</b> | <b>December 31, 2017</b> |
| Earnings per share           | 0.19                     | 0.19                     |
| Return on assets             | 9.35%                    | 9.98%                    |
| Return on equity             | 11.23%                   | 12.00%                   |
| Gross profit ratio           | 28.01%                   | 27.72%                   |
| Net profit (after tax) ratio | 9.91%                    | 9.33%                    |

#### Notes:

1. Current Ratio (Current Assets/Current Liabilities)  
To test the Company's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)  
Measures the Company's ability to pay its short-term debts from its most liquid assets without relying on inventory.
3. Book Value per Share (Equity/Shares Outstanding)  
Measures the amount of net assets available to stockholders of a given type of stock.
4. Debt to Equity Ratio (Total Liabilities/Total Equity)  
Measures the amount of total assets provided by stockholders
5. Asset to Equity Ratio (Total Assets/Total Equity)  
Shows the relationship of the total assets to the portion owned by the stockholders.  
Indicates the Company's leverage, the amount of debt used to finance the firm.
6. Earnings per Share (Net Profit/Shares Outstanding)  
Reflects the Company's earning capability.
7. Return on Assets (Net Profit/Average Total Assets)  
Indicates whether assets are being used efficiently and effectively
8. Return on Equity (Net Profit/Average Total Equity)  
Measures the ability of the company to generate profit from investment of stockholders
9. Gross Profit Ratio (Gross Profit/Revenues)  
Measures the percentage of gross income to sales
10. Net Profit Ratio (Net Profit/Revenues)  
Measures the percentage of net income to sales

#### **FY 2017 versus 2016**

##### ***1. Results of Operations***

***Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2017 compared to the Statement of Comprehensive Income for the period ended December 31, 2016 (increase/ decrease of 5.00% or more)***

Revenues

For the period ended December 31, 2017, revenues increased from ₱1,115.98 million in 2016 to ₱ 1,255.30 showing an increase of 12.48%.

Cost of Goods Sold

Cost of goods sold increased by 10.98% from ₱ 817.57 million to ₱ 907.32million. The increase was mainly due to higher raw materials cost.

Gross Profit and Gross Profit Margin

Gross profit increased from ₱298.40 million for the year 2016 to ₱347.98 million for the year 2017, equivalent to a 16.61% increase. The gross profit margin improved from 26.74% to 27.72% for the full year 2017.

Other Operating Expenses

Other operating expenses increased by 29.75% from ₱138.16 million for the year 2016 to ₱179.26 million in 2017 due to increase in selling and marketing expenses on higher revenues, increases in employee salaries and benefits, start up costs and expenses for the new PVC roof division and depreciation expenses for the new acquisitions of machineries and equipments.

Other Income (Charges)

In 2017, finance costs were lower by P0.60 million or 35.59% from P1.68million to P1.08 million due to settlement of bank financing loan. Net finance charges consisted of Interest income/expense, and foreign currency gains/losses.

***11. Financial Condition***

***Material Changes to the Statement of Financial Position as at December 31, 2017 compared to the Statement of Financial Position as at December 31, 2016 (increase/ decrease of 5.00% or more)***

Cash and Cash Equivalents

Cash and cash equivalents decreased by 13.70% to ₱ 90.97 million as at December 31, 2017 from ₱105.40 million as at year-end 2016 due to payment of higher cash dividends and purchases of raw materials, acquisitions of new machineries and equipments and transportation equipments, lease and leasehold improvements and related expenses for the new PVC Roof division.

#### Prepayment and Other Current Assets

Prepayment and other current assets increased by 18.74% to ₱ 88.41million as at December 31, 2017, from ₱74.41 million as at year-end 2016. The increase was due to the increase in input VAT from purchases and prepayment of freight.

#### Property, Plant, and Equipment – net

Property, plant, and equipment – net increased by 20.51% from ₱329.53 as at year-ended 2016 to ₱397.11 million as at period-ended December 31, 2017. The increase was due to new acquisitions of machineries and equipments, transportation equipments and leasehold improvements.

#### Other Non-current Assets

Other non-current assets increased by 12.72% from ₱13.11 million as at year end 2016 to ₱14.78 million as at year end 2017. The increase was due to increase in deferred input VAT on purchases of capital goods, payment of rental deposits for the PVC roof division and increase in rental deposit for office space.

#### Trade and Other Payables

This account decreased by 24.01% from ₱184.98 million as at year end 2016 to ₱140.56 million by year-end 2017 due to timely settlement of outstanding payables.

#### Income tax payable

Income tax payable as of year-end 2017 decreased by 5.23% from ₱6.33 million to P6.0 million due to lower tax payable from annualized computation of regular income tax due for 2017.

#### Mortgage Payable

This account decreased by 41.91% from P4.27million as at year-end 2016 to P2.48 million in 2016 due to settlement of car financing loan from banks.

#### Deferred Tax Liabilities-net

This account increased by P 12.09 million or 126.27% from P 9.57 million in 2016 to P 21.66 million due to revaluation increase in the value of land,

#### Post Employment Defined Benefit Obligation

This account increased by P 3.83 million or 70.34% from P 5.44 million to P 9.27 million due to actuarial valuation increase as at December 31, 2017 valuation date.

#### Revaluation Reserves

This account increased by P27.98 million or 84.38% from P 33.16 million to P 61.14 million due to revaluation increment in the value of land as at valuation date December 31, 2017.

### Retained Earnings

As at December 31, 2017, retained earnings increased by 27.91% from ₱216.18 million as at year-end 2016 to ₱276.51 million as at year- end 2017. The net increase is primarily due to the net profits after tax reported for the year amounting to ₱117.1 million

### III. Segment Operations

The operating profit of the business segments of the company - Compounds and Pipe group increased by 4.5% from P188.89 million to P 197.38 due to increase in revenues.

### IV. Key Performance Indicators

| <b>LIQUIDITY RATIOS</b>      |                          |                          |
|------------------------------|--------------------------|--------------------------|
| <b>Key Indicators</b>        | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
| Current ratio                | 5.33 : 1.00              | 4.15 : 1.00              |
| Acid test ratio              | 2.25 : 1.00              | 1.85 : 1.00              |
| Book value per share         | 1.62                     | 1.48                     |
| <b>SOLVENCY RATIOS</b>       |                          |                          |
| <b>Key Indicators</b>        | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
| Debt to equity ratio         | 0.18 : 1.00              | 0.23 : 1.00              |
| Asset to equity ratio        | 1.18 : 1.00              | 1.23 : 1.00              |
| <b>PROFITABILITY RATIOS</b>  |                          |                          |
| <b>Key Indicators</b>        | <b>December 31, 2017</b> | <b>December 31, 2016</b> |
| Earnings per share           | 0.19                     | 0.18                     |
| Return on assets             | 9.98%                    | 10.68%                   |
| Return on equity             | 12.00%                   | 12.86%                   |
| Gross profit ratio           | 27.72%                   | 26.74%                   |
| Net profit (after tax) ratio | 9.33%                    | 10.27%                   |

#### Notes:

1. Current Ratio (Current Assets/Current Liabilities)  
To test the Company's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)  
Measures the Company's ability to pay its short-term debts from its most liquid assets without relying on inventory.
3. Book Value per Share (Equity/Shares Outstanding)  
Measures the amount of net assets available to stockholders of a given type of stock.
4. Debt to Equity Ratio (Total Liabilities/Total Equity)  
Measures the amount of total assets provided by stockholders
5. Asset to Equity Ratio (Total Assets/Total Equity)  
Shows the relationship of the total assets to the portion owned by the stockholders.  
Indicates the Company's leverage, the amount of debt used to finance the firm.

6. Earnings per Share (Net Profit/Shares Outstanding)  
Reflects the Company's earning capability.
7. Return on Assets (Net Profit/Average Total Assets)  
Indicates whether assets are being used efficiently and effectively
8. Return on Equity (Net Profit/Average Total Equity)  
Measures the ability of the company to generate profit from investment of stockholders
9. Gross Profit Ratio (Gross Profit/Revenues)  
Measures the percentage of gross income to sales
10. Net Profit Ratio (Net Profit/Revenues)  
Measures the percentage of net income to sales

## **FY 2016 versus 2015**

### ***1. Results of Operations***

***Material Changes to the Statement of Comprehensive Income for the period ended December 31, 2016 compared to the Statement of Comprehensive Income for the period ended December 31, 2015 (increase/ decrease of 5.00% or more)***

#### Revenues

For the period ended December 31, 2016, revenues increased from ₱1,072.84 million in 2015 to ₱ 1,115.98 showing an increase of 4.02%.

#### Cost of Goods Sold

In 2016, cost of goods sold increased by 2.81% from ₱ 795.23 million to ₱ 817.57million. The increase is mainly due to the slight increase in manufacturing overhead.

Outside services increased due to the hiring of more contractual workers during the year. Depreciation expense increased due to acquisitions of new machines and equipments. Repairs and maintenance increased due to necessary repairs made on machineries and production buildings.

#### Gross Profit and Gross Profit Margin

Gross profit increased from ₱277.61 million for the year 2015 to ₱298.40 million for the full year 2016, equivalent to a 7.49% increase. The gross profit margin improved from 25.88% for the full year 2015 to 26.74% for the full year 2016.

#### Other Operating Expenses

For the year 2016, other operating expenses increased by 9.02% from ₱126.74 million for the year 2015 to ₱138.16 million for the full year 2016.

#### Other Income (Charges)

In 2016, this resulted to Other Income-net of P4.35million compared with Other (Charges) –net of P 4.53million in 2015. This was due to the full provision for allowance on

impairment loss on the company's claim for Tax Credit Certificate on zero duty importations filed with the Bureau of Customs amounting to ₱7.01 million in 2015.

#### Profit before Tax

The Company's profit before tax in 2016 increased by 12.46% from ₱ 146.35 million in 2015 to ₱164.59 million in 2016. The improvement was due to the revenue growth and improved gross profit margin.

#### Tax Expense

Tax expenses increased by 8.26% from ₱ 46.21million in 2015 to ₱ 50.02million in 2016 due to higher profitability in 2016 versus 2015.

#### Net Profit and Net Profit Margin

The Company registered net profit of P 114.57million compared with ₱100.15 million in 2015, which is equivalent to 14.40% increase. The increase is due to increased revenues and improved gross profit margins.

Net profit margins improved from 9.33% to 10.27%.

### **11. Financial Condition**

#### ***Material Changes to the Statement of Financial Position as at December 31, 2016 compared to the Statement of Financial Position as at December 31, 2015 (increase/decrease of 5.00% or more)***

##### Cash and Cash Equivalents

Cash and cash equivalents decreased by 11.29% to ₱ 105.40 million as at December 31, 2016 from ₱118.82 million as at year-end 2015. The decrease was primarily due to purchase of new machineries and payment of cash dividend.

##### Prepayment and Other Current Assets

Prepayment and other current assets increased by 25.76% to ₱ 74.41million as at December 31, 2016, from ₱59.17 million as at year-end 2015. The net increase was mainly due to the increase in input VAT.

##### Property, Plant, and Equipment – net

Property, plant, and equipment – net increased by 29.70% from ₱254.07 as at year-ended 2015 to ₱329.53 million as at period-ended December 31, 2016. The increase was due primarily to the purchase of lot for ₱ 30.97million.

##### Other Non-current Assets

Other non-current assets decreased by 5.39% from ₱13.86 million as at year end 2015 to ₱13.11 million as at year end 2016. The decrease was mainly due to refund of utility deposit from Meralco resulting from their bill deposit update program based on average monthly electricity consumption.

#### Trade and Other Payables

This account increased by 56.94% from ₱119.15 million as at year end 2015 to ₱187.0 million by year-end 2016 due mostly to the additional purchases of machineries and equipments and raw materials..

#### Income tax payables

Income tax payable as of year-end 2016 decreased by 46.94% from ₱13.49 million to P6.33million due to higher tax payments in the first three (3) quarters compared to annualized computation of regular income tax due for 2016.

#### Mortgage Payable

This account increased by 37.60% from P1.79million as at year-end 2015 to P4.27million in 2016 due to additional car financing loan from banks.

Car loans represent the acquisition of certain delivery equipment and motor vehicles through loan financing agreements with commercial banks, bearing annual effective interest that ranges from 9.95% to 12.75% and have maturity terms of five (5) years.

#### Post-Employment Defined Benefit Obligations

Post-employment defined benefit obligation decreased by 13.33% from ₱6.28million in 2015 to ₱5.44 million in 2016.

The Company maintains a tax-qualified, partially funded, non-contributory post-employment defined benefit plan covering all regular full-time employees. The actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

#### Retained Earnings

As at December 31, 2016, retained earnings increased by 62.36% from ₱133.15 million as at year-end 2015 to ₱216.18 million as at year- end 2016. The net increase is primarily due to the net profits reported for the year amounting to ₱114.57 million

### **III. Segment Operations**

The operating profit of the business segments of the company - Compounds and Pipe group increased by 6.78% from P176.90 million to P 188.89 due to increase in revenues.

### **IV. Key Performance Indicators**

| <b>LIQUIDITY RATIOS</b>      |                          |                          |
|------------------------------|--------------------------|--------------------------|
| <b>Key Indicators</b>        | <b>December 31, 2016</b> | <b>December 31, 2015</b> |
| Current ratio                | 4.15 : 1.00              | 5.52 : 1.00              |
| Acid test ratio              | 1.85 : 1.00              | 2.81 : 1.00              |
| Book value per share         | 1.48                     | 1.35                     |
| <b>SOLVENCY RATIOS</b>       |                          |                          |
| <b>Key Indicators</b>        | <b>December 31, 2016</b> | <b>December 31, 2015</b> |
| Debt to equity ratio         | 0.23 : 1.00              | 0.18 : 1.00              |
| Asset to equity ratio        | 1.23 : 1.00              | 1.18 : 1.00              |
| <b>PROFITABILITY RATIOS</b>  |                          |                          |
| <b>Key Indicators</b>        | <b>December 31, 2016</b> | <b>December 31, 2015</b> |
| Earnings per share           | 0.18                     | 0.16                     |
| Return on assets             | 10.68%                   | 10.95%                   |
| Return on equity             | 12.86%                   | 14.18%                   |
| Gross profit ratio           | 26.74%                   | 25.88%                   |
| Net profit (after tax) ratio | 10.27%                   | 9.33%                    |

**Notes:**

1. Current Ratio (Current Assets/Current Liabilities)  
To test the Company's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)  
Measures the Company's ability to pay its short-term debts from its most liquid assets without relying on inventory.
3. Book Value per Share (Equity/Shares Outstanding)  
Measures the amount of net assets available to stockholders of a given type of stock.
4. Debt to Equity Ratio (Total Liabilities/Total Equity)  
Measures the amount of total assets provided by stockholders
5. Asset to Equity Ratio (Total Assets/Total Equity)  
Shows the relationship of the total assets to the portion owned by the stockholders.  
Indicates the Company's leverage, the amount of debt used to finance the firm.
6. Earnings per Share (Net Profit/Shares Outstanding)  
Reflects the Company's earning capability.
7. Return on Assets (Net Profit/Average Total Assets)  
Indicates whether assets are being used efficiently and effectively
8. Return on Equity (Net Profit/Average Total Equity)  
Measures the ability of the company to generate profit from investment of stockholders
9. Gross Profit Ratio (Gross Profit/Revenues)  
Measures the percentage of gross income to sales
10. Net Profit Ratio (Net Profit/Revenues)  
Measures the percentage of net income to sales

**2019 Plan of Operations**

1. **Growth with new product or thru geographic expansion**
2. **Broaden market segments**



3. **Enhance Data Privacy and Cyber Security**
4. **Upgrade ERP system with analytics**
5. **Re-engineer Corporate Organization**
6. **Succession Planning**
7. **Operations Audit**
8. **Open Cebu Sales Office**
9. **Continue Share Buy-back program**

#### **Item 7. Financial Statements**

The Financial Statements of the Company are incorporated herein by reference and attached as an integral part of this SEC Form 17-A.

#### **Item 8. Information on Independent Public Accountant and Other Related Matters**

##### **1. Independent Public Accountant**

a. Punongbayan & Araullo (P&A) was engaged by the company to audit the Company's financial statements for the calendar years December 31, 2018, 2017 and 2016. Their responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing.

Punongbayan & Araullo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities in the Company. Both these independent public accountants will not receive any direct or indirect interest in the Company and in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Listing. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Committee.

##### **b. Audit and Audit Related Fees**

Punongbayan & Araullo billed the Company P380,000.00, P400,000.00 and P425,000.00 for the examination of the financial statements for the calendar years December 31, 2016, 2017 and 2018 respectively, exclusive of 15% of professional fees for out of pocket expenses

##### **c. Tax Fees**

Punongbayan & Araullo did not render professional services to the Company for tax accounting, compliance, advice, planning, and any other form of tax services.

#### **d. Audit Committee Approval Policies**

Under the Company's Manual on Corporate Governance, the policies and procedures for the audit rendered by the independent public auditors are to be taken up, discussed, and approved by the Company's Audit Committee.

The Audit Committee's decisions are based on the standards set forth by the Company for the purpose of audit or tax services, as the case may be. If the proposal submitted by the independent public auditor is within the standards set forth, then the proposal is forwarded to the Company's Board of Directors for approval.

#### **2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There was no event where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, disclosure of financial statements or auditing scope or procedure.

#### **Changes in Accounting Policies**

Please refer to Note 2 – Summary of Significant Accounting Policies under Changes in Accounting Policies and Disclosures discussion on the Notes to Financial Statements of the year ended December 31, 2018, included in this report.

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

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

##### Board of Directors

The Company's Board of Directors is responsible for the over-all management and direction of the Company. The Board meets to review and monitor the Company's future plans. Each Board member serves for a term of one (1) year, subject to re-election. A director who was elected to fill any vacancy holds office only for the unexpired term of his/her predecessor.

As of December 31, 2018, the composition of the Company's Board of Directors is as follows:

| <b>Board of Directors</b> |            |                    |                         |   |
|---------------------------|------------|--------------------|-------------------------|---|
| <b>Name</b>               | <b>Age</b> | <b>Nationality</b> | <b>Present Position</b> | <b>Period of Service in the Company</b> |
| Walter H. Villanueva      | 64         | Filipino           | Chairman of the Board   | 28 years                                |
| Eugene H. Lee Villanueva  | 62         | Filipino           | Director                | 28 years                                |
| Tita P. Villanueva        | 63         | Filipino           | Director                | 28 years                                |
| Nicasio T. Perez          | 61         | Filipino           | Director                | 28 years                                |
| Derrick P. Villanueva     | 36         | Filipino           | Director                | 9 years                                 |
| Jefferson T. Sy           | 62         | Filipino           | Director                | more than 3 years                       |

|                         |    |          |                            |                   |
|-------------------------|----|----------|----------------------------|-------------------|
| Marie Therese G. Santos | 61 | Filipino | Independent Director       | more than 4 years |
| Ernesto R. Alberto      | 56 | Filipino | Independent Director       | more than 4 years |
| Bede Lovell S. Gomez    | 50 | Filipino | Lead- Independent Director | more than 2 years |

Mr. Bede Lovell S. Gomez was appointed as Lead Independent Director on June 20, 2017.

To describe the business experience of the Company's directors for the past five (5) years, we have outlined hereunder their professional and business affiliations, as follows:

***Walter H. Villanueva, 64, Filipino, Chairman of the Board, Group Head-Pipe Group and General Manager – PP-R/HDPE Pipes and PVC Roof Divisions***

Mr. Walter H. Villanueva is concurrently a director and stockholder of Asean Timber Corporation, Husky Plastics Corporation, WT Derrick Realty Corporation and Guiguinto Integrated Wood Industries Corporation. He is likewise the President or Chairman and General Manager of these companies. From 2005 to present, Mr. Villanueva served as the Vice President for Sales and Marketing and the General Manager for the Pipe Group of Crown Asia Chemicals Corporation.

Mr. Villanueva holds a Bachelor of Science degree in Business Administration and Marketing from the University of the Philippines Diliman.

***Eugene H. Lee Villanueva, 62, Filipino, Director, President, and General Manager – Compounds Division***

Mr. Eugene H. Lee Villanueva is concurrently a director and stockholder of Husky Plastics Corporation. He is an MBA Candidate in the Ateneo De Manila University and holds a Bachelor of Science degree in Pre Medicine from the University of the Philippines Diliman.

***Tita P. Villanueva, CPA, 63, Filipino, Director and SVP/Chief Financial Officer***

Mrs. Tita P. Villanueva (CPA) is concurrently a director and stockholder of Asean Timber Corporation, Husky Plastics Corporation, WT Derrick Realty Corporation, and Guiguinto Integrated Wood Industries Corporation. She likewise serves as the Comptroller and Chairman of the Board of Asean Timber Corporation, Treasurer of both Husky Plastics Corporation and WT Derrick Realty Corporation, and Vice President of Guiguinto Integrated Wood Industries Corporation. Mrs. Villanueva holds a Bachelor of Science degree in Business Administration and Accountancy from the University of the Philippines Diliman. She was promoted to Senior Vice President and Chief Financial Officer on December 15, 2017.

***Nicasio T. Perez, 61, Filipino, Director and VP-Treasurer***

Mr. Nicasio T. Perez is concurrently a director and stockholder of Asean Timber Corporation and Guiguinto Integrated Wood Industries Corporation. He likewise serves as Treasurer of Asean Timber Corporation and Chairman of the Board of Directors of Guiguinto Integrated Wood Industries Corporation. He holds a Bachelor of Science degree in Commerce from the University of Sto. Tomas.

***Derrick P. Villanueva, 36, Filipino, Director and General Manager – PVC Pipes Division***

Mr. Derrick P. Villanueva was the Assistant General Manager – PVC Pipes Division position from July 2009 to December 2013 before he was promoted to General Manager for the same division on January 1, 2014. He is concurrently a director and stockholder of WT Derrick Realty Corporation. Mr. Villanueva holds a Diploma in Chemical Sciences from the British Columbia Institute of Technology and a Bachelor of Science degree in Entrepreneur Management from the University of Asia and the Pacific.

***Jefferson T. Sy, 62, Filipino, Director***

Jefferson T. Sy was duly elected and assumed office effective May 29, 2015. Mr. Sy holds a Bachelor of Science degree in IME from the De La Salle University – Taft. He is also officer of Techno-Inox Corporation.

***Marie Therese G. Santos, 61, Filipino, Independent Director***

Ms. Marie Therese G. Santos is concurrently a director, stockholder, and administrator of Gravitas Prime. Ms. Santos also sits as Independent Director of First Abacus Holdings, Inc. and Treasurer/ Trustee of UP High, Preparatory, Elementary, and Integrated School Alumni Foundation. She previously served as CFO, and after her resignation, as Independent Director and Chairman of the Audit Committee of Music Semiconductors Corporation. She also served as Director and Chairman of the Risk Management Committee of both Rural Bank of Solano (Nueva Vizcaya), Inc. and Cordillera Savings and Loan Association.

Ms. Santos holds a Masters degree in Business Administration and Bachelor of Science degree in Chemical Engineering from the University of the Philippines Diliman. She is a licensed Chemical Engineer.

***Ernesto R. Alberto, 56, Filipino, Independent Director***

Mr. Ernesto R. Alberto is concurrently the Executive Vice President of the Philippine Long Distance Telephone Company (PLDT). He is also the President and CEO of Telesat, Inc. and ePLDT, Inc., as well as the President of ePDS, Inc. In addition, he is the Chairman of ACASIA Communications Sdn Bhd, Bonifacio Communications Corp., PLDT SUBIC TELECOM, INC. (PLDT Subictel), Clark Telecommunication Company Inc. (PLDT Clarktel), ABM Global Solutions, iPlus, and Junior Achievement Philippines. He also holds directorships in PLDT Philcom, PLDT Maratel, Inc., PLDT Global Philippines, PLDT Global Malaysia, Mabuhay Investments Corp., IP Converge Data Services, Inc., and IBM Analitika Philippines. Mr. Alberto was a director of the Business Processing Association of the Philippines (BPA/P) from 2007 to 2011. Mr. Alberto obtained his Master's Degree in Economic Research from the University of Asia and the Pacific and his Bachelor's Degree Major in Economics, Minor in Mathematics and Political Science from San Beda College.

***Bede Lovell S. Gomez, 50, Filipino, Lead Independent Director***

Mr. Bede Lovell S. Gomez is currently a member of the Board of Directors of Ardenwood Construction and Orbis Capital Ventures, Inc. He is also a Board Member/Trustee of the Fund Managers Association of the Philippines a a member of the Trust Officers Association of the Philippines. Prior to this, he was the Trust Officer/Group Head of the Investment Advisory and Trust Group of First Metro Investment Corporation (FMIC) where he was also the Assistant Vice President-Head of Investment Advisory Group. Before his stint in FMIC, he was Assistant Vice President/Head of Investments-Equities and Fixed Income of the Robinsons Bank Trust and Investment Group. Mr. Gomes earned his B.A. Political Science/Economics degree from the Loyola University of Chicago (USA).

## Executive Officers

As of this date, the following are the executive officers of the Company:

| <b>Principal Officers</b> |            |                    |   |                                  |
|---------------------------|------------|--------------------|---|----------------------------------|
| <b>Name</b>               | <b>Age</b> | <b>Nationality</b> | <b>Present Position</b>   | <b>Year Position was Assumed</b> |
| Eugene Lee Villanueva     | 62         | Filipino           | President; General Manager - Compounds Division   | 1989                             |
| Walter H. Villanueva      | 64         | Filipino           | Head of Pipe Group and General Manager of PPR/HDPE and PVC Roof Divisions<br>General Manager – Pipes Division                     | 2014<br>2017<br>2005             |
| Tita P. Villanueva        | 63         | Filipino           | SVP/Chief Financial Officer<br>Vice President-Comptroller   | 2017<br>2005                     |
| Nicasio T. Perez          | 61         | Filipino           | Vice President-Treasurer  | 1992                             |
| Derrick P. Villanueva     | 36         | Filipino           | General Manager – PVC Pipes Division  | 2014                             |
| Hans Joseph T. Perez      | 29         | Filipino           | Risk Management Officer<br>And General Manager – PPR /HDPE Pipes Division<br>Assistant General Manager – PPR /HDPE Pipes Division | 2017<br>2014                     |
| Jason C. Nalupta          | 47         | Filipino           | Corporate Secretary and Compliance Officer  | 2012                             |
| Ann Margaret Keh Lorenzo  | 30         | Filipino           | Assistant Corporate Secretary   | 2017                             |

The following outlines the business experience of the other Company's officers for the past five (5) years:

***Hans Joseph T. Perez, 29, Filipino, Assistant General Manager – PP-R/HDPE Pipes Division***

Mr. Hans T. Perez assumed his position as Assistant General Manager of the PP-R /HDPE Pipes Division in 2014. He holds a Bachelor of Science degree in Commerce major in Business Management from the De La Salle University. He was designated by the Board as Risk Management Officer on September 29, 2017.

***Jason C. Nalupta, 47, Filipino, Corporate Secretary and Chief Information Officer***

Jason C. Nalupta, Filipino, 45, is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms A. Brown Company, Inc., Asia United Bank, Pacific Online Systems Corporation. He is also a Director and/or Corporate Secretary or Assistant Corporate Secretary of private companies Sino Cargoworks Agencies, Inc., Falcon Resources, Inc., Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Metropolitan Leisure & Tourism Corporation, Sagesoft Solutions, Inc., Radenta Technologies, Inc., Xirrus, Inc., Glyphstudios, Inc., Loto Pacific Leisure Corporation, and Sta. Clara International Corporation. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws. Mr. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Mr. Nalupta was admitted to the Philippine Bar in 1997.

***Ann Margaret K. Lorenzo, 30, Filipino, Assistant Corporate Secretary***

Ms. Lorenzo is the Assistant Corporate Secretary of the Company. She is also currently the Corporate Secretary of the following companies: Athena Ventures, Inc., TGTI Services, Inc., Galileo Software Services Inc., and GGO Realty Holdings, Inc. She is likewise the Assistant Corporate Secretary of I-Remit, Inc. (listed), Coal Asia Holdings, Incorporated (listed), TKC Metals Corporation (listed), Philequity PSE Index Fund, Inc., Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Dividend Yield Fund, Inc., Philequity Strategic Growth Fund, Inc., Philequity Balanced Fund, Inc., Philequity Resources Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Aldex Realty Corporation, Oakridge Properties, Inc., Demikk Realty, Inc., Demikk Holdings, Inc., JTKC Leisure Holdings Corporation, Pan-Asean Multi-Resources Corporation, Etruscan Resources Philippines, Inc., and Tao Mohin Resources Corporation. She also serves as a Director of TGTI Services, Inc.

Ms. Lorenzo is currently a Junior Associate of Tan Venturanza Valdez. She obtained his Bachelor of Arts degree in English Studies and Juris Doctor degree from the University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine bar in April 2015.

## Significant Employees

No single person is expected to contribute more significantly than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

## Board Meetings and Attendance

| Board    | Name                    | No. of Meetings Held during the Year | No. of Meetings Attended | %    |
|----------|-------------------------|--------------------------------------|--------------------------|------|
| Chairman | Walter H. Villanueva    | 9                                    | 8                        | 89%  |
| Member   | Eugene H. Villanueva    | 9                                    | 6                        | 67%  |
| Member   | Tita P. Villanueva      | 9                                    | 9                        | 100% |
| Member   | Nicasio T. Perez        | 9                                    | 9                        | 100% |
| Member   | Derrick P. Villanueva   | 9                                    | 8                        | 89%  |
| Member   | Jefferson T. Sy         | 9                                    | 6                        | 67%  |
| Member   | Marie Therese G. Santos | 9                                    | 9                        | 100% |
| Member   | Ernesto R. Alberto      | 9                                    | 6                        | 67%  |
| Member   | Bede Lovell S. Gomez    | 9                                    | 9                        | 100% |

## Item 10. Executive Compensation

The following summarizes the executive compensation received by the President and the top four (4) most highly compensated officers of the Company for 2016, 2017 and 2018. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

| Name and Position  | Year | Salaries    | Bonuses    | Others   | Total        |
|--|------|-------------|------------|----------|--------------|
| Eugene Lee Villanueva/President and General Manager-Compounds Division                                     | 2016 | ₱11,617,445 | -none-     | ₱402,548 | ₱12,019,993  |
| Walter H. Villanueva/ General Manager-Pipe Group/ General Manager – PP-R/HDPE Pipes and PVC Roof Divisions |      |             |            |          |              |
| Tita P. Villanueva/ SVP/Chief Financial Officer  |      |             |            |          |              |
| Nicasio T. Perez/VP- Treasurer   |      |             |            |          |              |
| Derrick P. Villanueva/General Manager-PVC Pipes Division   | 2017 | ₱18,295,603 | ₱3,324,643 | ₱970,517 | ₱ 22,590,763 |
| CEO and the four (4) most highly compensated officers named above  |      |             |            |          |              |
| CEO and the four (4) most highly compensated officers named above  | 2018 | ₱21,265,020 | ₱1,518,930 | ₱667,876 | ₱ 23,451,826 |

|  |      |             |            |            |              |
|--|------|-------------|------------|------------|--------------|
| Aggregate compensation paid to all officers and directors as a group unnamed | 2016 | ₱14,965,621 | -none-     | ₱479,391   | ₱15,445,012  |
|  | 2017 | ₱18,295,603 | ₱3,324,643 | ₱2,788,517 | ₱24,408,763  |
|  | 2018 | ₱22,624,020 | ₱1,518,930 | ₱667,876   | ₱ 24,810,826 |

### Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10.00% 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 stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Currently for Board meetings, the Chairman receives P25,000.00 and other directors at P20,000.00 per meeting attended. For Committee meetings, the Committee Chairperson receives P 12,000.00 and the members receive P 10,000.00 per meeting attended.

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

#### Security Ownership of Certain Record and Beneficial Owners

As at December 31, 2018, the following are the owners of record, directly or indirectly, of more than 5.00% of the Company's outstanding capital stock, the number of shares and percentage of shareholdings of each of them:

| Security Ownership |  |   |             |                    |                  |
|--------------------|--|---|-------------|--------------------|------------------|
| Title of Class     | Name, address of record owner and relationship with Issuer                                   | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent of Class |
| Common             | <b>Eugene H. Lee Villanueva</b><br>West Triangle Homes,<br>Quezon City<br><i>Shareholder</i> | Same as record owner  | Filipino    | 94,560,000         | 14.99%           |
| Common             | <b>Walter H. Villanueva</b><br>Corinthian Gardens,<br>Quezon City<br><i>Shareholder</i>      | Same as record owner  | Filipino    | 73,341,000         | 11.62%           |



| <b>Security Ownership</b> |  |  |                    |                           |                         |
|---------------------------|--|--|--------------------|---------------------------|-------------------------|
| <b>Title of Class</b>     | <b>Name, address of record owner and relationship with Issuer</b>                  | <b>Name of Beneficial Owner and Relationship with Record Owner</b> | <b>Citizenship</b> | <b>No. of Shares Held</b> | <b>Percent of Class</b> |
| Common                    | <b>Jefferson T. Sy</b><br>Damar Village, Quezon City<br><i>Shareholder</i>         | Same as record owner   | Filipino           | 47,280,000                | 7.47%                   |
| Common                    | <b>Nicasio T. Perez</b><br>West Triangle Homes, Quezon City<br><i>Shareholder</i>  | Same as record owner   | Filipino           | 94,560,000                | 14.99%                  |
| Common                    | <b>Tita P. Villanueva</b><br>Corinthian Gardens, Quezon City<br><i>Shareholder</i> | Same as record owner   | Filipino           | 47,280,000                | 7.49%                   |
| <b>TOTAL</b>              |  |  |                    | <b>357,021,000</b>        | <b>56.59%</b>           |

#### **Security Ownership of Directors and Management**

The following are the number of shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of December 31, 2018:

| <b>Direct Ownership by Board of Directors and Management</b> |   |  |                    |                         |
|--|---|--|--------------------|-------------------------|
| <b>Title of Class</b>  | <b>Name of Beneficial Owner</b>   | <b>Amount and Nature of Beneficial Ownership</b> | <b>Citizenship</b> | <b>Percent of Class</b> |
| Common   | <b>Eugene H. Lee Villanueva</b><br><i>President, General Manager – Compounds Division, and Director</i>   | 94,560,000<br><i>Direct</i>                      | Filipino           | 14.99%                  |
| Common   | <b>Walter H. Villanueva</b><br><i>Chairman of the Board, General Manager – Pipes Group, and General Manager – PP-R/HDPE Pipes and PVC Roof Divisions and Director</i> | 70,920,000<br><i>Direct</i>                      | Filipino           | 11.24%                  |
| Common   | <b>Tita P. Villanueva</b><br><i>SVP/Chief Financial Officer and Director</i>  | 47,280,000<br><i>Direct</i>                      | Filipino           | 7.49%                   |
| Common   | <b>Nicasio T. Perez</b><br><i>Vice President – Treasurer and Director</i>   | 47,280,000<br><i>Direct</i>                      | Filipino           | 7.49%                   |
| Common   | <b>Derrick P. Villanueva</b><br><i>General Manager – PVC Pipes Division and Director</i>  | 4,812,000<br><i>Direct</i>                       | Filipino           | 0.76%                   |

| <b>Direct Ownership by Board of Directors and Management</b> |   |  |                    |                         |
|--|---|--|--------------------|-------------------------|
| <b>Title of Class</b>  | <b>Name of Beneficial Owner</b>                                 | <b>Amount and Nature of Beneficial Ownership</b> | <b>Citizenship</b> | <b>Percent of Class</b> |
| Common   | <b>Jefferson T. Sy</b><br><i>Director</i>                       | 100,000<br><i>Direct</i>                         | Filipino           | 0.02%                   |
| Common   | <b>Marie Therese G. Santos</b><br><i>Independent Director</i>   | 1,000<br><i>Direct</i>                           | Filipino           | -nil-                   |
| Common   | <b>Ernesto R. Alberto</b><br><i>Independent Director</i>        | 1,000<br><i>Direct</i>                           | Filipino           | -nil-                   |
| Common   | <b>Bede Lovell S. Gomez</b><br><i>Lead Independent Director</i> | 1<br><i>Direct</i>                               | Filipino           | -nil-                   |
| <b>Total</b>   |   |  |                    | <b>42.00%</b>           |

As of December 31, 2018, the aggregate direct ownership of all directors and officers of the Company as a group is 42% of the total issued and outstanding shares of the Company.

### **Selling Security Holders**

None of the Offer Shares is to be offered for the account of security holders.

### **Voting Trust**

The Company knows of no person holding more than 5.00% of shares under a voting trust of similar agreement.

## **Item 12. Certain Relationships and Related Transactions**

### **Family Relationships**

Mr. Walter H. Villanueva and Mr. Eugene H. Lee Villanueva are siblings.

Mrs. Tita P. Villanueva and Mr. Nicasio T. Perez are siblings.

Mr. Walter H. Villanueva and Mrs. Tita P. Villanueva are spouses.

Mr. Derrick P. Villanueva is the son of Mr. Walter H. Villanueva and Mrs. Tita P. Villanueva.

Mr. Hans Joseph T. Perez is the son of Mr. Nicasio T. Perez.

There are no other family relationships known to the Company among directors, executive officers, or persons nominated or chose by the registrant to become directors or executive officers other than the ones disclosed.

Details of the Related Party Transaction are discussed under Note 17 of the Audited Financial Statements.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Compliance with Leading Practice on Corporate Governance**

The company was listed at the Philippine Stock Exchange (PSE) on April 27, 2015. The company's Integrated Annual Corporate Governance Report (I-ACGR) shall be submitted on or before May 30, 2019, in compliance with SEC Memorandum Circular No. 15 Series of 2017.

## **PART V – EXHIBITS AND SCHEDULES**

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

- (a) Exhibits - none**
- (b) Reports on SEC Form 17-C for the last six months of the year**

**CROWN ASIA CHEMICALS CORPORATION  
LIST OF CORPORATE DISCLOSURES UNDER SEC FORM 17-C  
JULY 1, 2018 TO DECEMBER 31, 2018**

| <b>Date</b>       | <b>Description of Disclosure</b>                                   |
|-------------------|--|
| October 22, 2018  | Resignation of Officer   |
| November 29, 2018 | Approval of Amendments to Corporation's By-Laws                    |
| December 5, 2018  | Approval of Share Buyback Program                                  |
| December 6, 2018  | Additional details on the approved share buy-back program of CROWN |
| December 12, 2018 | Press Release  |

## **CROWN ASIA CHEMICALS CORPORATION**

**INDEX TO FINANCIAL STATEMENTS  
Form 17-A, Item 7**

**Statement of Management's Responsibility for Financial Statements**  
**Independent Auditor's Report**  
**Statements of Financial Position**

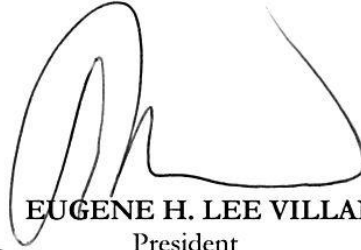
**Statements of Income**  
**Statements of Comprehensive Income**  
**Statements of Changes in Equity**  
**Statements of Cash Flows**  
**Notes to Financial Statements**


**SIGNATURES**

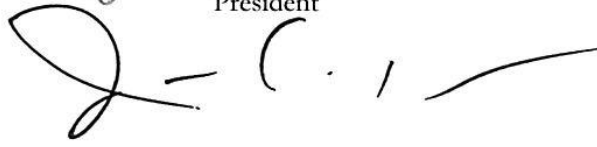
Pursuant to the requirements of the Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in \_\_\_\_\_ on \_\_\_\_\_.

**CROWN ASIA CHEMICALS CORPORATION**  
Issuer

By:   
**WALTER H. VILLANUEVA**  
Chairman

  
**EUGENE H. LEE VILLANUEVA**  
President

  
**TITA P. VILLANUEVA**  
SVP/Chief Finance Officer


  
**ATTY. JASON C. NALUPTA**  
Corporate Secretary

**MAR 12 2019**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ 2019 affiants exhibiting to me their Residence Certificates, as follows:

| NAMES                    | CTC NO.  | DATE/PLACE OF ISSUE        |
|--------------------------|----------|----------------------------|
| Walter H. Villanueva     | 06007936 | 02/15/2019 Valenzuela City |
| Eugene H. Lee Villanueva | 07916699 | 01/18/2019 Quezon City     |
| Tita P. Villanueva       | 06007934 | 02/15/2019 Valenzuela City |
| Atty. Jason C. Nalupta   | 15405569 | 01/16/2019 Manila          |

NOTARY PUBLIC

  
**ATTY. JASON G. DE BELEN**  
Reg. No. 36259  
Adm. No. NP-006 (Notary Public (2018-2019))  
Unit M Panay Commercial Building  
No. 7 Panay Ave. cor. Sgt. Borromeo St. Q.C.  
IBP AR No. 42250802; QC 1-3-19  
PTR No. 7323530; QC 1-3-19  
MCLE V 0017261; 3-30-16

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Series of 2019.